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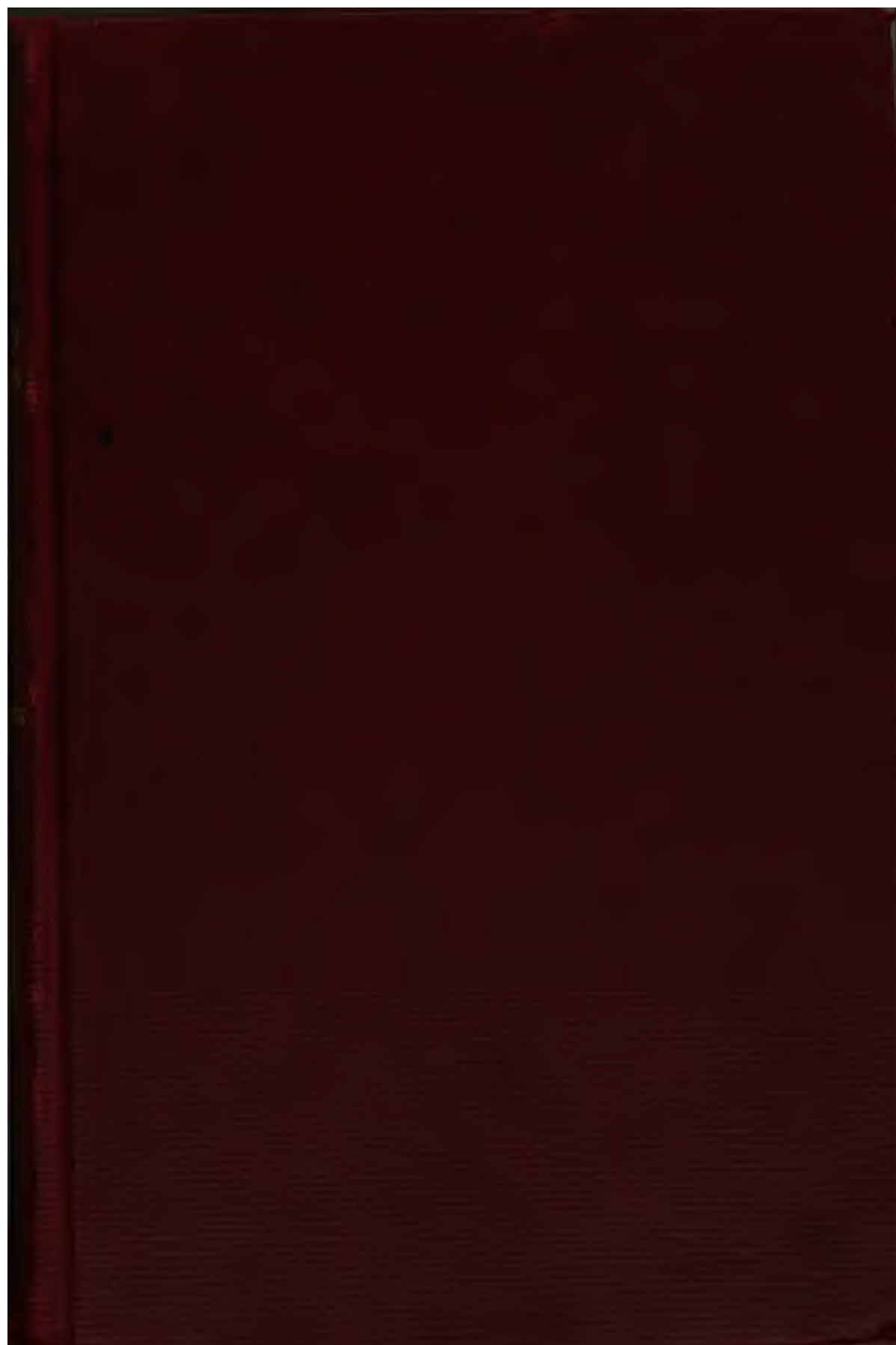
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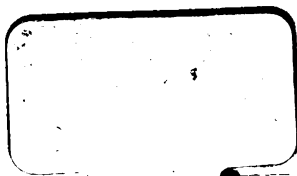


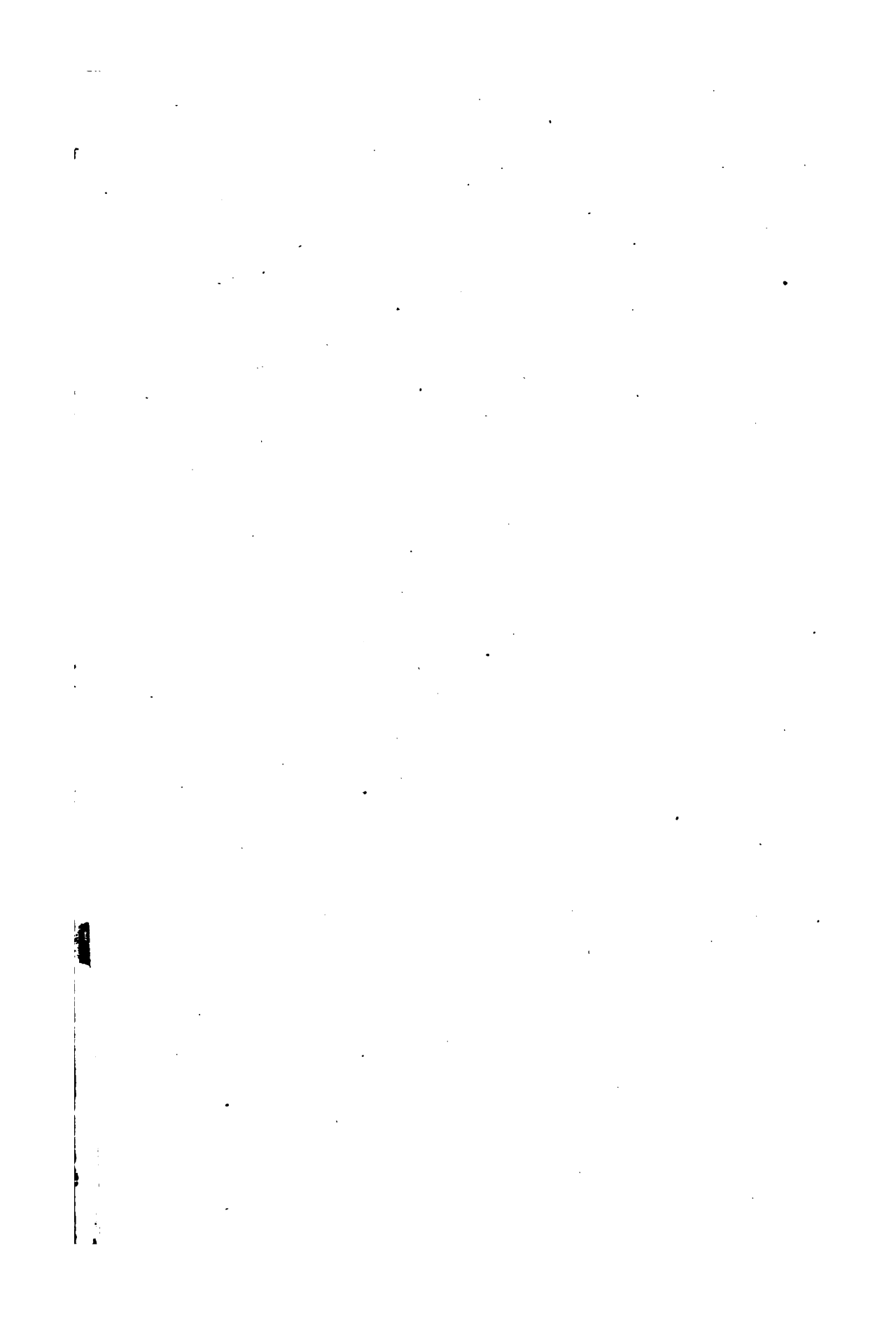
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GOVERNMENT CONTROL OF THE TELE- GRAPH AND TELEPHONE SYSTEMS

HEARINGS

ON

H. J. RES. 368

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BEFORE
H. S. Congress. House

THE COMMITTEE ON
THE POST OFFICE AND POST ROADS

HOUSE OF REPRESENTATIVES

SIXTY-FIFTH CONGRESS

THIRD SESSION

JANUARY 14, 1919

PART I



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GOVERNMENT PRINTING OFFICE
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COMMITTEE ON THE POST OFFICE AND POST ROADS.

HOUSE OF REPRESENTATIVES, SIXTY-FIFTH CONGRESS.

JOHN A. MOON, Tennessee, *Chairman*.

THOMAS M. BELL, Georgia.	HALVOR STEENERSON, Minnesota.
ARTHUR B. ROUSE, Kentucky.	MARTIN B. MADDEN, Illinois.
FRED L. BLACKMON, Alabama.	WILLIAM W. GRIEST, Pennsylvania.
EDWARD E. HOLLAND, Virginia.	IRA C. COPLEY, Illinois.
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EUGENE BLACK, Texas.	CALVIN DE WITT PAIGE, Massachusetts.
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CHARLES H. RANDALL, California.	C. WILLIAM RAMSEYER, Iowa.
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CHARLES E. BRUCE, *Assistant Clerk*.

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GOVERNMENT CONTROL OF THE TELEGRAPH AND TELEPHONE SYSTEMS.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE POST OFFICE AND POST ROADS,
Tuesday, January 14, 1919.

The committee this day met, Hon. John A. Moon (chairman) presiding.

The CHAIRMAN. I believe there is a quorum of the committee present. Gentlemen, I have called the committee together to consider a joint resolution, which is numbered 368, introduced by me on December 13 at the request of the department. The resolution is as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That as an auxiliary to the Postal System the Government control and possession of the telephone and telegraph systems of the United States now existing by virtue of the joint resolution of Congress dated July sixteenth, nineteen hundred and eighteen, and the proclamation of the President, be, and the same is hereby, continued until otherwise ordered by Congress.

The Postmaster General shall cause to be fixed the appraised value of all the telegraph lines, property, and effects of any or all of the telegraph companies as provided in section three of the act of July twenty-fourth, eighteen hundred and sixty-six, and report the result thereof to Congress for its consideration.

The Postmaster General is also directed to negotiate contracts for the purchase of any or all telephone lines, together with their property and effects, subject to the approval of Congress.

That the Postmaster General shall report to Congress within a reasonable period some plan of organization which will combine all the advantages and authority of the Government with such plan of operation as the experience of the best operation in our industrial world has shown to be advantageous.

What is the pleasure of the committee in reference to this resolution? Mr. Lamar, of the Post Office Department, is here and can offer some explanations as to this resolution, and I have here telegrams and letters from a very large number of telegraph companies of the United States and telephone companies expressing their position on this question. I presume the committee will want some hearings on the matter, and if there is no objection, we will call Mr. Lamar and let him explain the purposes of this resolution and answer such questions as you gentlemen may see fit to ask.

Mr. BELL. Are the telegrams and letters which you refer to, Mr. Chairman, protests against further control by the Government or in favor of further control?

The CHAIRMAN. Some of the companies included in the Mackey system have entered an objection, but the balance all desire the passage of the resolution with an amendment fixing the time of control—

that is, when the Government will either release them or take such other steps as may be necessary.

Mr. HOLLAND. That does not seem to be the purpose of the resolution. This looks like a resolution for absolute Government control.

Mr. MADDEN. That is as the resolution reads now.

Mr. HOLLAND. It would seem to provide for absolute Government control.

The CHAIRMAN. The resolution seems to contemplate the extension of the time and an appraisal of the properties with a view to their purchase; but the resolution is subject to such amendment as you may see fit to make if you want to pass it at all. The consensus of opinion of the telegraph companies is that the resolution should be amended and some period fixed—from two to five years—for the relinquishment of control by the Government of the wires if they do not ultimately reach a conclusion for their purchase. That is a matter, of course, to be considered.

Mr. HOLLAND. That is true as to those you have thus far heard from?

The CHAIRMAN. Yes.

Mr. MADDEN. Does this include the cable systems?

The CHAIRMAN. No. Gentlemen, if it suits your pleasure, we will ask Mr. Lamar about this question.

Mr. RAMSEYER. You say those telegrams and letters are from the leading telegraph and telephone companies?

The CHAIRMAN. The big ones and the little ones.

Mr. RAMSEYER. Would it be proper to have them made a part of the record?

The CHAIRMAN. Yes. If you prefer, I will take these up first and then ask Mr. Lamar to address the committee.

Mr. RAMSEYER. It will take quite a while to do that.

Mr. STEENERSON. I think we had better hear Mr. Lamar first.

Mr. MADDEN. Would it not be a good idea, if I may be allowed to suggest, to decide upon what the policy of the committee is going to be with respect to hearings? If we are going to consider this question, are we going to consider it in a perfunctory way or are we going to consider it in a comprehensive way? Are we going to try to act upon the resolution without having an opportunity afforded everybody in interest, no matter who they are, or are we going to act upon it without any hearings? It seems to me we ought to decide definitely in advance what the policy of the committee is going to be with respect to the scope of the hearings.

The CHAIRMAN. I suppose I might introduce the telegrams and letters I have; and if you want any further hearings, we can then have them.

Mr. MADDEN. I think the thing is of sufficient importance to make that the first consideration. The question of consideration should involve a determination as to whether we are going to reach some kind of a conclusion on the merits of the resolution, based upon knowledge or lack of knowledge; whether the knowledge we expect to obtain shall be the result of hearing everybody in interest or whether it shall be confined to letters that are in the possession of the chairman and such statement as the department may think proper. For myself I feel that the resolution is of such importance and the

scope of its influence so widespread that it is worthy of the most comprehensive consideration, and that would involve the hearing of the telegraph companies, the telephone companies, the cable companies, and everybody connected with the industry.

Mr. STEENERSON. And I think the State authorities are vitally affected. I notice that my State has already gone into court to test the raising of rates by Mr. Burleson, and I understand that Nebraska, Wisconsin, and a half dozen other States have done likewise. Each of the States, or at least 28 or 29 of them, have public-utility commissions that have fixed these rates, and the department is now seeking to overturn them and raise them, and they ought to be heard.

Mr. MADDEN. And there is one more thing. In the next to the last paragraph there is an authorization for the purchase of any or all telephone lines and telegraph lines.

Mr. RANDALL. It does not authorize it except on the approval of Congress.

Mr. MADDEN. I understand, but, of course, the Postmaster General will be permitted to go on and negotiate for the purchase of such companies as he desired, and he could eliminate such lines as he might think proper, thereby doing a great injustice to vested rights. We ought not to give him any such authority as that until we know more about the matter.

The CHAIRMAN. It is very evident that you can not pass intelligently upon the sections of this bill until you have had some sort of a hearing, of course, about them, unless you have an opinion which you will hold regardless of the judgment of other people.

Mr. STEENERSON. The resolution in itself is not very difficult to understand. It is perfectly plain, but what the department has done and proposes to do under this authority is, of course, important.

The CHAIRMAN. I had not finished what I wanted to say about it. I think we had better proceed as we always have; that is, by a reading of the resolution; then have such proof as we have introduced; and then, if we want more, give an opportunity to others to come, and in view of all the testimony that is before you take up the resolution and determine whether it shall be passed or not; and if it is to be passed, whether it shall be passed with amendments and what those amendments shall be. It does not necessarily follow that because the resolution is in this form that the committee will report it in this way. You may report an entirely different sort of a resolution, amended just as you see fit, or you may reject it all.

Of course, you all understand that this is a short session and if we are going to do anything there is no use of trying to muddy the waters by extensive hearings. We all know pretty well what we think ought to be done about it. I believe we ought to hear from the department, and they have one gentleman here who wants to be heard on the question, and here are the replies of the companies. I do not know of anybody who wants any more hearings. These people have all been notified about this resolution, a copy of it has been sent to them and their views upon the question asked for; they have largely replied and their views are contained in this batch of telegrams and letters that I have here.

Mr. STEENERSON. But those are all ex parte expressions.

The CHAIRMAN. They are ex parte, but they represent their side of it.

Mr. BLACK. As far as the Government ownership of telegraph and telephone lines is concerned I would not care even to go into any hearings at all because my mind is made up, but as to the question of extending the time, we might, of course, go into that.

The CHAIRMAN. I have always tried to be candid with this committee. I do not think that now you are going to make any provision for the ownership of telegraph or telephone lines, and I believe this resolution ought to be amended in compliance with the request of the telegraph and telephone companies, wherein a time limit is requested for Government control. My information is—although I do not know how correct it is—that if you continue the present control and turn these things loose at the close of the war without having a system perfected for their operation, and they go back to the companies in such shape, that it will bring about a great loss to the telegraph and telephone companies, and it is as much to their interest—and I suppose they are themselves the best judges of what their interest is—that something be done as it is to our interest, and their views are here as to what they think ought to be done.

Mr. PAIGE. If Mr. Black's views are in any degree the sense of the committee, I move that we table the resolution.

The CHAIRMAN. You want the resolution tabled without any hearings or amendments offered?

Mr. BLACK. I should be glad to hear Mr. Lamar, who is here. I do not understand that the Postal Co. favors this resolution.

The CHAIRMAN. There will be some reasons given why the Postal Co. does not favor it.

Mr. RANDALL. I move that we hear the representative of the Post Office Department.

Mr. RAMSEYER. If we can dispose of it in a short time, I feel we ought to have full hearings on the resolution and the parties in interest should be heard. I think it could be done in 10 days or two weeks, and even if it takes two weeks, by the 1st of February we could report out this resolution or refuse to report it out. I am not in favor of Mr. Paige's motion. I think the chairman ought to be instructed to wire everybody in interest that he knows of, that is the heads of these large telegraph and telephone companies, the cable companies, and also the governors of the States, that hearings are being held on this resolution and that if they want to be heard they should notify the committee at once.

The CHAIRMAN. The governors of the States, you say?

Mr. STEENERSON. That is my suggestion.

The CHAIRMAN. What have they to do with it?

Mr. BELL. I think the railroad commissions in most of the States should be included.

Mr. RAMSEYER. Well, notify the proper authorities. By notifying the governors, as suggested by Mr. Steenerson, they could get information to the proper State authorities.

Mr. STEENERSON. That is it.

The CHAIRMAN. The companies have all been notified by telegraph, every one of them.

Mr. BLACK. That is, they were notified that the resolution was pending.

The CHAIRMAN. They have been notified, and a copy of the resolution sent to them.

Mr. BLACK. But not that any hearings were being held.

The CHAIRMAN. No; they were asked for their opinions, and here are their opinions.

Mr. BELL. Were all the short lines notified?

The CHAIRMAN. I can not say.

Mr. RAMSEYER. But you have not notified the State authorities, although they have interests, too.

The CHAIRMAN. The State authorities? What have they to do with it?

Mr. RAMSEYER. These utility commissions.

Mr. STEENERSON. The State authorities have fixed the rates for telegraph and telephone companies, and in my State, for instance, they have raised the long-distance rate from Crookston to St. Paul 200 per cent. The attorney general has started a suit attacking that raise, and similar conditions exist all over. It seems to me that before we authorize this we ought to give the representatives of those localities an opportunity to be heard before the committee, if they desire.

Mr. STERLING. What effect does that have, even if the State authorities have fixed the rates? The question here is one of control for a period of time.

Mr. MADDEN. It does not so state in the resolution.

Mr. STERLING. That is what it will do when the resolution goes out, will it not?

The CHAIRMAN. If these motions are made for the purpose of delaying and defeating the resolution, we had just as well understand each other, because that is what it looks like, and we ought to vote on the matter and be done with it.

Mr. BLACK. I move we hear Mr. Lamar and then vote.

Mr. BELL. I move, as a substitute for Mr. Paige's motion, that we hear Mr. Lamar, who represents the Post Office Department, and have read into the record the letters and telegrams received from the different telegraph and telephone companies throughout the country. Then if we determine we ought to have further hearings we can go on with them.

(Mr. Bell's motion was put and carried.)

STATEMENT OF MR. WILLIAM H. LAMAR, SOLICITOR FOR THE POST OFFICE DEPARTMENT.

Mr. LAMAR. Gentlemen of the committee: It was suggested to me by Mr. Moon a day or so ago that probably the committee would like to hear something from the department on this matter, and as I happen to be a member of the wire-control committee of the Post Office Department I have made up a memorandum which, I think, will probably put the matter before the committee generally, and then I will be in a position to answer such questions as I can and which the committee will suggest.

The CHAIRMAN. Without objection you may do that.

Mr. LAMAR. I find there is some misapprehension as to the effect of House joint resolution No. 368, introduced by Mr. Moon. By some

it is regarded as a Government-ownership proposition and a tendency had developed to treat it as such by those who favor or oppose Government ownership as a fixed policy. I do not think the resolution can bear any such construction. The first paragraph simply extends the possession and control by the Government of the telegraph and telephone systems until otherwise ordered by Congress.

Mr. STEENERSON. Right there—is not that authority, “until otherwise ordered by Congress” simply a superfluity? It is permanent law without those words and we always have the right to repeal an act.

The CHAIRMAN. Is not that a question for discussion by the committee?

Mr. STEENERSON. But the gentleman says there is some misapprehension about this language. It is certainly permanent law whether you put those words in or not.

Mr. LAMAR. It is not Government ownership, but according to my conception it is an extension under the present compensation agreements, which furnish the basis for adjustment between the Government and the companies.

Mr. STEENERSON. But the language is, “until otherwise ordered by Congress.”

The CHAIRMAN. Do you not think you had better let the gentleman continue his statement and then ask him questions?

Mr. LAMAR. I agree with the suggestion of the chairman of the committee that it is up to the committee to amend the resolution as it sees fit, and the only definite thing that is accomplished by this resolution is this extension of time under present compensation agreements. The second paragraph provides for steps to be taken by the Postmaster General, authorized by the act of July 24, 1866, to obtain an appraised value of telegraph companies and to report the result to Congress for its consideration. That right now exists, and it would enable Congress, in considering the entire question, to know just what is involved in the way of money in the purchase of these telegraph companies.

Under the act of 1866 the Government now has an option to purchase all telegraph properties upon a valuation made in the manner designated in that statute, but such option does not exist so far as the telephone companies are concerned. The third paragraph of this resolution was drawn so as to leave the telegraph and the telephone companies practically on the same basis as to options by the Government. The provision authorizing the Postmaster General to make contracts of purchase with telephone companies, subject to the approval of Congress, is the same thing as an option and nothing more than an option as I conceive it.

The action to be taken by the Postmaster General under the last two sections of the resolution in no way commits the Government to the purchase of either the telegraph or the telephone properties, but provides for the collection and transmission to Congress of indispensable data for a thorough consideration by Congress in the future of all of the questions which must necessarily be considered in arriving at a proper solution of the many perplexing questions presented for public consideration by the developments in the various wire systems; such as adequacy and cost of service, which are in turn

materially affected by competition, involving waste or unification, involving monopoly, the effect of diversified State regulation, and other important considerations.

The last paragraph of the resolution directs the Postmaster General to report to Congress a plan of organization which will combine all the advantages and authority of the Government with such plan of operation as the experience of the best operation our industrial world has shown to be advantageous.

It is entirely possible that when the Postmaster General has caused to be made a valuation of the telegraph properties and secured options upon the telephone properties he may in submitting the data collected in compliance with the entire resolution make a recommendation along an entirely different line from that of Government ownership of the properties. The Congress would, however, have before it the result of his labors provided for in each section of the resolution.

The President and the Postmaster General, of course, fix the policy of the Postal Service, with which I am connected. It may not be out of place, however, for me to say that individually I have never favored Government ownership of public utilities, including the telegraph and telephones, and it was with a full knowledge of my position on this subject that the Postmaster General appointed me as a member of the general wire-control administration. I can see, however, that there is a marked difference between Government ownership or control of the telegraph and telephones from that of railroads and other public utilities.

The usefulness of the wire service is limited entirely to the transmission of intelligence, which is a Government monopoly so far as written communications are concerned. The constitutionality of legislation acquiring the telegraph and telephones under the postal powers I do not think could be seriously questioned.

As to whether the Government can operate the properties as successfully as private owners can do under existing conditions, I am inclined to think, may be fairly determined in favor of such control; but I am not at all satisfied in my own mind that a system might not be worked out which would change the conditions under which the properties have been heretofore operated which might not result in something better than anything we have or which has been proposed in the shape of Government ownership; but all these questions seem to be beside the question now before the committee. This resolution, so far as it definitely affects future control of these properties, simply extends the period of Government control.

As a member of the wire committee I have been brought in intimate contact with the representatives of the various companies in fixing compensation agreements and in the renewal and extension of their obligations, which have to be approved by the Postmaster General. So far as I know all of the companies, with the exception of the Mackay Cos., which control the Postal Telegraph systems, are earnestly in favor of an extension of the period of Government control to some definite date, not less than two or three years, which will cover a return of the country to normal business conditions.

During the last four years this Nation has passed through a veritable industrial and financial upheaval. The process of restora-

tion and reconstruction after the war will present a number of problems to the telegraph and telephone companies which they are in a bad position to solve to the best interests of themselves and the public if the properties are returned to the owners. Foremost among these are the problems of wages, rates, and elimination of unnecessary competition.

During these years prices have risen by more than 100 per cent. Our national income has increased from \$35,000,000,000 to \$72,000,000,000. The net income of the corporations of the country has increased from \$4,339,000,000 to \$7,500,000,000. The general level of wages has increased by approximately 70 per cent since the outbreak of the European war. As compared with these general movements of prices, incomes, and wages, the prices for telephone service have, because of their control by State and local governments, increased but slightly. No index number has been prepared to show the actual rise. The net income of these companies, after increasing somewhat in 1916, has fallen until, at the present time, many of them can barely meet their customary dividend payments out of current earnings. The wage schedules of telephone companies have, on the average, increased by only 30 per cent, as against the general increase in wages of 70 per cent. These figures are all taken from Government reports.

It is clear that under these conditions the companies are confronted with a troublous period of reconstruction. No one can foretell at this time what the movement of prices and wages will be during the next three to five years, nor what the new level will be when an equilibrium has been reached. We will, therefore, have a period of the greatest uncertainty, in which opinions will differ, especially the opinions of men who are primarily operators.

The laborers of telephone companies are restive because of the disparity that now exists between their wages and those in other industries, and in localities where competition exists between companies, because of the varying wages within the industry itself. The wages of telephone employees can be adjusted on some uniform basis, giving a satisfactory wage to the laborers of the industry, if the properties are under a unified control. The adjustment of the wages of the 400,000 telephone employees is a matter of great consequence and adds to the uncertainty of the situation so far as the telephone companies are concerned. The whole system of telephone rates must be reviewed as a result of general price movements and the profits of telephone companies. As the law now stands there is uncertainty as to the time of returning the properties. When they are returned the rate situation will be chaotic, since many of the State commissions have refused to ratify or pass upon rate changes in any manner during the period of Federal control. They will presumably take time to consider these rates at the end of Government control. The situation of the companies will otherwise be most uncertain.

If Government control were to end at an early date the whole rate situation would be unsatisfactory from the standpoint of the companies. Each company will have to make its own plans for rate adjustment and resubmit its entire rate structure to its State commission or city council, as the case may be, with results often influenced by political factors which, as is so well known, figure in these mat-

ters. There will be a flood of litigation for the companies who are financially able to spend the money necessary to enforce their contentions. The smaller companies will, in many cases, be unable to afford legal and technical experts to present their cases satisfactorily. These companies will suffer financial loss and, in some cases, ruin, and the telephone users will necessarily find the quality of their service deteriorating. It is inevitable that the rate controversies which will arise because of the increased operating expenses brought about by the war shall result in financial loss to the companies, in poorer service to the public, and in an era of antagonism between the telephone companies and the public. The obvious way to prevent all this is to extend the period of Government control and to work out the whole structure of rates on some standard scientific basis. This does not mean that rates will necessarily be raised, but it does mean that there will have to be a systematic revision. Although it is not generally recognized, strict analysis would lead to the conclusion that the falling value of the dollar has now led to a 40 per cent reduction in telephone rates as compared with the value of other prices and services.

In addition to the benefits which will flow to the companies in the adjustment of wages and rates, the companies will benefit from the rapid elimination of wasteful competition which is being brought about under Federal control. There are still a large number of points at which telephone competition prevails. Such competition is annoying, expensive, and unsatisfactory to the public, and inevitably results in dire financial consequences to one or both the companies themselves.

The committee on consolidation appointed by the Postmaster General has received several hundred letters from public bodies requesting the elimination of competition and unification of the service in their cities. The desirability of this sort of action is too well recognized to call for comment. From the standpoint of the companies there is a large amount of investment in plant which is unprofitable to one company or the other or to both. Perhaps the most striking single case of the evils of such competition is that of a company which operates in the populous and prosperous States of Illinois, Indiana, and Ohio. This company has earned less than 2½ per cent upon an investment of over \$50,000,000 during the last three years. Five competing companies taken at random have an investment of \$63,000,000 upon which they earned, on the average during the two and one-half years ending June 30, 1918, \$1,710,000. Their interest charges were \$2,611,704. These companies failed to earn their interest charges by \$901,551. In many localities the Bell Telephone system is also operating at a loss, which must be borne by other sections of the country if it continues to operate the entire system at a profit.

Mr. STEENERSON. I notice that line five of the resolution refers to the control and possession now existing.

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. Are there some companies that are not in the control and possession of the Government?

Mr. LAMAR. Mutual companies are eliminated.

Mr. STEENERSON. What do you mean by "mutual companies"?

Mr. LAMAR. Those which combine and furnish service without profit.

Mr. MADDEN. In farming communities?

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. Have you not some other way of classifying them, because "mutual" is indefinite—everything is mutual.

Mr. LAMAR. I am using the general term.

Mr. STEENERSON. Where are such companies located?

Mr. LAMAR. All over the country.

Mr. STEENERSON. In the cities or in the rural districts?

Mr. LAMAR. In the rural districts.

Mr. STEENERSON. Do you know how many of those there are in the United States?

Mr. LAMAR. No; but there is a very large number.

Mr. STEENERSON. I was told 1,700 in Minnesota alone.

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. You have not taken possession of any of them?

Mr. LAMAR. No; there was an order issued which expressly excluded them.

Mr. STEENERSON. Have you that order?

Mr. LAMAR. I have not, but I can furnish it to the committee.

Mr. STEENERSON. That order defines the companies that are to be taken?

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. Speaking generally, how do you define those that are now in the control and possession of the Government, within the meaning of this resolution?

Mr. LAMAR. All other telegraph and telephone systems except those that I have termed generally mutuals, which have been described in detail in the order.

Mr. STEENERSON. All telegraph and telephone companies except those that you have not taken over. Are they large or small or both—these that you have?

Mr. LAMAR. Large and small both.

Mr. STEENERSON. It does not depend on the size, then?

Mr. LAMAR. No, sir.

Mr. STEENERSON. If it is a stock company and located outside the rural districts then you have possession of it?

Mr. LAMAR. I do not think that would be an adequate description of it, Mr. Steenerson. It is all of the telephone systems that are operated for profit, practically.

Mr. STEENERSON. All the telephone systems and telegraph systems that are operated for profit?

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. Excluding these which are generally located in the farming districts—rural districts?

Mr. LAMAR. They are not excluded unless they belong to the mutual type.

Mr. STEENERSON. What do you mean by "system," as used in this resolution?

Mr. LAMAR. Well, that is a question that we have never been called upon to define definitely, but it means where there are two or more lines that are operated through exchanges.

Mr. STEENERSON. That includes these holding companies, those that operate companies without having their officers acting in the matter but just simply a financial or ownership control; is that a "system"?

Mr. LAMAR. We have nothing to do with the corporations; we simply take possession of the properties.

Mr. STEENERSON. You have nothing to do with the corporations?

Mr. LAMAR. No; except that they are designated by the Postmaster General to operate the properties temporarily until the general operating board can develop the entire system.

Mr. STEENERSON. I do not understand how you can say that when the fact is that the money all goes into the hands of agents of the corporations. We passed a law, at the suggestion of the department, with reference to the embezzlement of funds belonging to the companies.

Mr. LAMAR. They may have formerly been, and may be, in their corporate capacity, officers of the company, but under the order of the President they are now the agents of the Government in handling this property.

Mr. STEENERSON. Then under the law that you sent down—I suppose it came from your division—the money collected for telephone charges still belongs to the telephone companies, does it not?

Mr. LAMAR. No, sir; it belongs to the Government.

Mr. STEENERSON. The act so recites, does it not—that the money belongs to the telegraph or telephone companies?

Mr. LAMAR. I have not that act before me.

Mr. STEENERSON. You drew it?

Mr. LAMAR. I do not think it reads that way.

Mr. STEENERSON. I am sure it does. Do you hold that the money belongs to the United States?

Mr. LAMAR. Absolutely.

Mr. STEENERSON. Then how do you pay it out without an act of Congress?

Mr. LAMAR. These properties were taken over under the joint resolution passed by Congress authorizing that action, and the resolution authorizes the President to operate them "in such manner as may be needful or desirable." This is very broad language. We are operating the properties under the resolution entirely.

Mr. STEENERSON. But you must either have the money belonging to the companies or else it belongs to the United States.

Mr. LAMAR. I think not, sir, in the sense in which you state the matter.

Mr. STEENERSON. Does it not belong to either?

Mr. LAMAR. Well, it belongs to the United States in the sense that it is in the Postmaster General's custody for the purpose of operating these properties. It does not go into the Treasury.

Mr. STEENERSON. Do you know approximately how much the revenues of these telegraph and telephone companies that you have taken possession of amount to?

Mr. LAMAR. No; we are having that matter worked up now.

Mr. STEENERSON. They exceed the total revenues of the Post Office Department from other sources, do they not?

Mr. LAMAR. I have not had occasion to follow that; but they are quite large.

Mr. STEENERSON. You have seen the commercial and financial reports of these companies, have you not?

Mr. LAMAR. There are a great many of them.

Mr. STEENERSON. I think the American Telegraph & Telephone Co. alone reports a revenue of over \$300,000,000 for 1917, does it not?

Mr. LAMAR. I think so.

Mr. STEENERSON. And that is only one of the companies you have taken.

Mr. LAMAR. Yes; and that is the largest by all odds.

Mr. STEENERSON. Is it more than half?

Mr. LAMAR. Yes. The Bell Telephone Co. represents \$1,200,000,000 in invested capital, and all the other telephone companies would not amount to more than \$400,000,000, in addition.

Mr. STEENERSON. \$400,000,000 in revenues?

Mr. LAMAR. No; \$400,000,000 in investment.

Mr. STEENERSON. What about the annual revenues?

Mr. LAMAR. I have not figures on that.

Mr. STEENERSON. You do not know how much the expenditures are, either?

Mr. LAMAR. I could not give you those figures definitely; no, sir.

Mr. STEENERSON. I simply want it in round numbers.

Mr. LAMAR. I can not give it in round numbers either, because this is a period of revision and organization and it is impossible to get down to the definite results you are asking for.

Mr. STEENERSON. Do you not know enough about the general affairs of the telegraph and telephone companies—you have been employed in adjusting their contracts and must have command of some general information—to say that the revenues of these companies, of which you have taken possession and control, amount to more than the total revenues of the Post Office Department from other sources?

Mr. LAMAR. I presume they do.

Mr. STEENERSON. And the expenditures will amount to more or as much as the total expenditures of the Post Office Department?

Mr. LAMAR. Oh, yes; taking into consideration the extension of the properties they amount to a great deal more.

Mr. STEENERSON. And this money will be taken in and will be paid out under the authority you are now exercising without any action on the part of Congress or any appropriation?

Mr. LAMAR. We do not need any appropriations; the properties will be operated on their own revenues.

Mr. STEENERSON. You are aware that the Constitution provides that no money shall be taken out of the Treasury of the United States unless it is pursuant to the action of Congress?

Mr. LAMAR. These operating revenues never get into the Treasury of the United States.

Mr. STEENERSON. You are aware that is the Constitution, are you not?

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. And you said a moment ago that this money does not go into the treasury of the companies?

Mr. LAMAR. No.

Mr. STEENERSON. It does not go into the Treasury of the United States?

Mr. LAMAR. No; it goes to the credit of the Postmaster General as operating head of the wire service under authority of the joint resolution, and every act done must come within the authority of that joint resolution.

Mr. STEENERSON. The matter, then, is of considerable importance to the people of the United States, when it is left in the hands of one man, who is appointed and not elected by the people, and he levies the taxes, so to speak, or the charges for all this service, amounting to four or five hundred million dollars a year, and pays it out without consulting Congress in any particular.

Mr. LAMAR. It is a very important question, sir.

Mr. STEENERSON. Next to the railroad control it is the largest financial authority there is in the world, is it not, vested in one man?

Mr. LAMAR. I may not have general information about all of the affairs of the world, but it is a pretty big proposition.

Mr. STEENERSON. And you say the department favors the indefinite continuance of this authority, and it is not bashful about exercising the authority?

Mr. LAMAR. The resolution was drawn in this form as a tentative measure and for the purpose of getting it before the committee to do as it pleased. I do not think the department is interested in an indefinite time, any great time or any short time.

Mr. STEENERSON. Who fixes the compensation of the telephone and telegraph employees? Have you fixed it already or is it being fixed by you or by your department?

Mr. LAMAR. Under a general order issued by the Postmaster General, who took possession of the properties, the general authority conferred upon the companies by the President's proclamation was extended so that the ordinary business operations of the companies were continued as they had previously existed until further orders were issued.

Mr. STEENERSON. Are you in the course of determining the compensation of employees now?

Mr. LAMAR. In a great many instances; yes, sir.

Mr. STEENERSON. You have determined the compensation of some?

Mr. LAMAR. Yes.

Mr. STEENERSON. Have you employed these supervising officers, like Mr. Carlton and Mr. Bethel, to aid in the management of these systems?

Mr. LAMAR. They are the heads of operation, the one of telephone and telegraph systems and the other of cable systems.

Mr. STEENERSON. What is the compensation of those men?

Mr. LAMAR. That is not a matter which the department has had to deal with at all. They are assigned from their respective organizations to constitute a board in case of the telegraph and telephone; in Mr. Carlton's case he is assigned to manage the cables. Mr. Carlton, by the way, is a dollar-a-year man.

Mr. STEENERSON. He is working for \$1 a year for the Post Office Department?

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. But his real compensation is paid by the Western Union Co.

Mr. LAMAR. He is the president of both the Western Union and the cable company.

Mr. STEENERSON. Not the Mackay Cable Co.?

Mr. LAMAR. No; the two other cable companies.

Mr. STEENERSON. What are the names of the cable companies of which he is president?

Mr. LAMAR. They are called the Western Union Cables; they are leased cables.

Mr. STEENERSON. And he gets his compensation from them?

Mr. LAMAR. I do not know what he gets; that is a matter for his companies to pay and they pay him what they please.

Mr. STEENERSON. How about Mr. Bethel—is he similarly situated?

Mr. LAMAR. Mr. Bethel is the vice president of the American Telephone & Telegraph Co.

Mr. STEENERSON. Who pays his salary?

Mr. LAMAR. He gets his salary from his company.

Mr. STEENERSON. Does the department pay him anything?

Mr. LAMAR. Not a cent.

Mr. STEENERSON. Not even \$1?

Mr. LAMAR. No, sir.

Mr. STEENERSON. An still you say that the money collected by these companies belongs to the United States; at least you said so a moment ago, and now these salaries are being paid out by the companies.

Mr. LAMAR. Let me make myself clear. The Government has taken the wires; it has taken control of the operations; it has taken control of the revenues they produce, but it has not taken control of the corporations themselves. The Government is obligated to the corporations to pay a just compensation for the properties, and after the Government pays that just compensation to the companies, the companies can do with it what they see fit; the Government has nothing to do with it, and I can not imagine that Congress has anything to do with it.

Mr. STEENERSON. Who pays these salaries?

Mr. LAMAR. The companies.

Mr. STEENERSON. What do they pay them with?

Mr. LAMAR. They pay them out of the compensation or their non-operating revenues, which they have and with which we have nothing to do.

Mr. MADDEN. Out of the allotment made by the Postmaster General?

Mr. LAMAR. It may be out of that. The Bell telephone system has a good many million dollars of nonoperating revenues through investments in various properties in Canada and in the Western Electric Co., as well as other sources.

Mr. AYRES. Who pays the wages of the employees—that is, the wages of the operators?

Mr. LAMAR. They are paid out of the operating revenues of the properties.

Mr. AYRES. By the board of advisors; that is, the board of which you are a member, or are they paid by the companies?

Mr. LAMAR. The companies are operating the properties temporarily, but directly under the general administration of the Postmaster General.

Mr. AYRES. Do you fix the rate of wages for employees?

Mr. LAMAR. To a certain extent; yes. We do not want to upset conditions any more than possible and have had to accept adjustments

of salaries that necessarily had to be made in the course of the management of some of the properties.

Mr. AYRES. In case of an increase in wages or anything of that kind is the matter taken up with you or with the local management of the companies?

Mr. LAMAR. An increase?

Mr. AYRES. Yes; in case of an increase.

Mr. LAMAR. Under the general instructions, if it is simply a question of the wages of a man here or a man there the companies are authorized, under the general instructions, to use their best judgment.

Mr. AYRES. I am speaking of the employees generally. For instance, you have been having trouble in three or four places throughout the United States in the matter of wage adjustments, particularly at St. Paul, Minn., and Wichita, Kans.

Mr. LAMAR. And we had it in Detroit, Mich.; but in the Detroit case the question of wages and the question of rates both came up in the same connection, and the Postmaster General fixed a schedule in both cases—rates and wages.

Mr. PAIGE. What is the object of the department in undertaking to solve all the problems of these telephone and telegraph companies to which you refer, wages, etc.? Is it in the interest of the companies, in the interest of the Government or in the interest of the public?

Mr. LAMAR. The department is trying to view it in the interest of all concerned and that is its object in doing it. The Postmaster General considers it to be his duty to operate these properties and every branch of them while he is in control, and he can not avoid the responsibility of doing the best he can with the properties, where he has them in control.

Mr. PAIGE. Do the telephone companies ask this for their relief, financial or otherwise?

Mr. LAMAR. Ask what?

Mr. PAIGE. Ask for this resolution?

Mr. LAMAR. As I understand it, they are all in favor of it, except the Mackay company, and there is a very good reason why they do not ask for it.

Mr. PAIGE. Then all of the insolvent companies are in favor of it and the solvent ones are not, and the Government is to step in and make good?

Mr. LAMAR. No.

Mr. STEENERSON. Now, about these Mackay companies—have they any voice in the management as has Mr. Carlton and Mr. Bethel?

Mr. LAMAR. The Postmaster General selected Mr. Ward, vice president of the Commercial Cable Co. and operating head of that cable company, to operate both cable companies.

Mr. STEENERSON. Is he operating them?

Mr. LAMAR. No; he declined to act.

Mr. STEENERSON. So you turned them over to a competitor?

Mr. LAMAR. Then they were turned over to the next best man who could be found to operate them.

Mr. STEENERSON. That is the system that was competing with Mr. Mackay's company?

Mr. LAMAR. The Postmaster General tendered to the Mackay company the management of the cables first, but they declined.

Mr. MADDEN. In your statement I think I understood you to say that the competition existing between the various telegraph and telephone companies of the United States resulted in a loss to some companies and might result in their elimination, and I thought I would like to ask this question: If the companies are operating at a loss, as the result of which some may be eliminated, might not that elimination work out the problem to which you refer without assumption of authority and responsibility on the part of the Government of the United States; that is, without the intervention of the Government?

Mr. LAMAR. Why, on the principle of the survival of the fittest, I suppose so, even if the one which survives is operating under conditions that would not make life worth living after it had survived.

Mr. MADDEN. Is the Government in any way concerned about the protection of the profits of the companies that are in competition with each other; and if so, why?

Mr. LAMAR. Well, broadly, I should say that if the companies are losing money the public is not getting adequate service.

Mr. MADDEN. Has that been found to be the case?

Mr. LAMAR. It necessarily follows, I should think. When a company gets on the down grade the service deteriorates. There is no escaping that; and you have that very condition throughout the country.

Mr. MADDEN. What are the contract obligations of the Government under the present system of control?

Mr. LAMAR. I brought down the general form of contract that we enter into with the companies.

Mr. MADDEN. I do not care anything about the form. I want to know what the obligations are.

Mr. LAMAR. The obligations are to keep up the properties in the same condition we find them and—

Mr. MADDEN. I mean the financial obligations.

Mr. LAMAR. The obligations are different in each case; it depends largely on what the company is earning.

Mr. MADDEN. That is not the question I asked. The question I asked was: What are the obligations, that is to say, what are the aggregate obligations per annum?

Mr. LAMAR. You mean the aggregate obligations per annum or the contracts entered into?

Mr. MADDEN. Yes.

Mr. LAMAR. That I can not answer offhand, but I could get you a statement of that.

Mr. MADDEN. Then I would like to ask this further question: What amount is accorded to each company under the contracts entered into?

Mr. LAMAR. Do you want a list of the companies where contracts have been entered into and the amount of compensation?

Mr. MADDEN. Yes. Then another question: What is the annual income of each company and how does the income compare with the allotment made by the Postmaster General under the contract? Have some companies been allotted more and some less than the income?

Mr. LAMAR. You want those figures?

Mr. MADDEN. Yes. Then another question: What, if any, changes have been made in the rates to telegraph and telephone users since the wires were taken over? Have they been increased or diminished?

Mr. LAMAR. I will get that information for you. If there are any of those questions that I can answer offhand I will do so. But in this matter of compensation I think it well to state just how the contracts were drawn. When Congress passed the railroad bill the compensation was fixed on the basis of the revenues for three years, and when the telegraph and telephone resolution passed and the wires were taken over we prepared a questionnaire which was sent out to all these companies. Here is the Postal Cable Co. questionnaire, by the way, and it shows the character of information we obtained covering this railroad period and covering the actual figures for the first six months in 1918 and the estimated revenues for the ensuing year. We received only very few of these before we learned that we could save the Government millions of dollars under these compensation agreements by adopting some different basis from that you gentlemen adopted in the railroad legislation.

In other words, it appeared that during the first year of the European war there was stagnation of business or at least no development of business, and that during the second year there was a marked increase in business—telegraph, telephone, and other kinds of business—but there was a very slight advance in labor and wages; that the companies had kept back the advance in wages while they were increasing the volume of business, so that the net revenues of all these companies were very much higher during the period that was named in the railroad act than we had any prospect of making out of these companies during the period of Government control, or certainly during the year following the entering into of these agreements. We had certain things in mind in making these compensation agreements. Of course the general value of the property was in the background. We did not want to allow any exorbitant return on the value of this property. I want to say in this connection that the value of this property has been figured carefully in each case, and we have not made a contract where there was awarded more than 6 per cent of the value of the property. There is another proposition we had in mind in preparing these contracts, and that was to protect the investing public, so that these contracts would not leave the companies in a position where they could not pay the ordinary dividends which they had been paying before as well as interest on their obligations, but above all we insisted that they would have to show us, before we entered into an agreement for any stipulated amount, that from the history of the properties, the existing conditions, the cost of labor at that time, and the increases that they expected to have during the first year we would be enabled, with the revenues available, to pay the compensation requested.

Mr. MADDEN. Would that involve a reduction in the compensation to a company that was making large earnings and an increase in the compensation to a company that was making small earnings? That is what I would like to find out.

Mr. BLACK. In other words, would it penalize efficiency?

Mr. MADDEN. That is to say, would you, under your system of adjustment, feel called upon to make a less allotment to a company out

of its earnings and take the surplus of that company in order to permit a larger allotment to a company that was not making a sufficient income?

Mr. LAMAR. No; but I understand that charge has been made by the Mackay people.

Mr. MADDEN. That is not the question—about what charge has been made. I am asking the question—

Mr. LAMAR (interposing). Among many of their very wild statements.

Mr. MADDEN. I do not think my question involves a controversy that is existing. I am only asking these questions for information.

Mr. LAMAR. In dealing with these companies, no company goes into this agreement unless it is satisfied. Here is the form of contract—it is just a proposal. After we get together and thrash the thing out, for days sometimes, in order to find out the status of one of these companies, we agree upon the terms and the company's official makes up the proposal. There is only one company such as you suggest, that is the Postal Co., and no contract has been made with that company and no disposition will be made of its surplus revenues until the Court of Claims acts or some adjustment is made with respect to the compensation.

Mr. MADDEN. I am not interested in companies but I am only interested in getting information. I would be very much obliged if you would cut out the side issues and just answer the questions. It is information that I am interested in and I am not at all interested in a controversy.

Mr. LAMAR. I am here to try to serve the committee.

Mr. MADDEN. I wish you would be kind enough if you can, to answer my question. I want to know whether the department has entered upon the policy of making contracts with the various companies involved in Government control of the wires under which the department would require one company, for example, if it made \$1,000,000 a year, to take \$500,000 and take the other \$500,000 to pay another company which was only making \$500,000 and to which an allotment might be made of \$1,000,000.

Mr. BLACK. And if they do not use the money for that purpose, what is it used for?

Mr. MADDEN. That is the question I want answered. I am not interested in a controversy between companies at all; I am only interested in getting information.

Mr. LAMAR. In answering your question I will say that we can not require any company to enter into a contract under any such terms. These companies make their proposals and we accept them. We do not require them to do this but they do it because they want a contract and they make this proposal on the terms that we feel we can afford to give, in view of the revenues, the proposal must be satisfactory to them. Therefore, we do not force them to take any such amount as you suggest. There is only one other case—

Mr. MADDEN (interposing). You have not answered the question yet. I want to know what the policy of the department is.

Mr. LAMAR. The policy of the department is to make compensation agreements with each one of these companies on terms that satisfy the companies and which we think are right and will enable us to make

each property pay for its own operation as well as the compensation agreed upon.

Mr. MADDEN. Does that policy involve the repayment from the revenues of a profitable company to be added to revenues of an unprofitable company?

Mr. LAMAR. If any company produces more revenue than we have to pay out in operating expenses on the one end and compensation on the other, it goes to the general fund and not to the company.

Mr. MADDEN. In other words, you take the revenue from one company and give it to another; that is what it means?

Mr. BLACK. I understand you, Mr. Lamar, to say you had limited the earnings in any company, regardless of how desirable conditions might be; that you have limited its earnings to 6 per cent on the old arbitrary figure.

Mr. LAMAR. I will say that it has worked out that way. What we have done is to limit the dividends. We have not made compensation to companies to pay dividends over 8 per cent, dividends on the stock. The stock is often very much less than the value of the property.

Mr. BLACK. It might be more.

Mr. LAMAR. Generally speaking, the value of telephone properties is greater than the face of their stock and bonds.

Mr. AYRES. If the department would have under your contract a million dollars over and above their operating expenses, and so on, that would go into the general fund?

Mr. LAMAR. Yes.

Mr. AYRES. And then, if you had some other company that lacked \$500,000 of paying the operating expenses, could they be paid out of that general fund?

Mr. LAMAR. If the Government assumed the obligation, they would.

Mr. AYRES. That is the way it would have to operate? Then, in the locality where the concern had made a profit, would the rates to the patrons of that company be the same as in the communities where the companies did not operate with a profit?

Mr. LAMAR. The general situation as it stands now is that we find all kinds of rates in different parts of the country.

Mr. AYRES. Would there be a uniformity of rate to the users all over the country?

Mr. LAMAR. They are absolutely not uniform now.

Mr. AYRES. Will they be?

Mr. LAMAR. There is a general movement now to standardize these rates by the Postmaster General.

Mr. AYRES. There would be an increase in the rates to the users of these telephones over the rates at present?

Mr. LAMAR. Well, that depends altogether on whether there is a high operating cost and a high cost of labor. If these labor organizations are going to force the prices for labor that they are demanding—\$8 a day for first-class telegraphers and \$6.50 for second-class and \$5 for third-class telegraphers—you see what they are “resoluting” to-day all over the country—yes; you are liable to have higher rates to meet such demand if they are to be accepted.

Mr. AYRES. Do you think \$10 a week is sufficient for a telegraph operator?

Mr. LAMAR. No. Do you mean \$10 a day?

Mr. AYRES. No; I am speaking of \$10 a week and not to exceed \$15, as they are paying in my town; local operators, I am speaking about now.

Mr. MADDEN. Where, for instance, it is shown that a company covering a wide area has made a profit of \$500,000, and that \$500,000 goes into the general fund to meet the obligations of the company that has lost \$500,000, I want to know whether you consider it is just to the community served by the first company to take that \$500,000 out of this fund and still maintain the rates.

Mr. LAMAR. That is one of the number of problems before the department. We have that all over the country to-day. The Bell Telephone Co. has been having a surplus of all the way from \$10,000,000 to \$15,000,000 a year for a number of years. When we started to negotiate the contract that was the stumbling block for some time, as to what would be done with that surplus. The Postmaster General took the position that there was not going to be any surplus to credit to the companies; he insisted upon a flat contract covering what is was determined they ought to have, and so finally they yielded on that proposition. The increased cost in labor has more than wiped out that prospective surplus of the Bell Telephone Co. How are we going to tell you what the expenses will be? That shows you what we have to calculate on if we are going to bring expenses within the revenue; we have to have some margin, and this all the companies except the Postal concede.

Mr. AYRES. Take the case of one community where you have the very best service and a reasonable rate, and are paying good wages to the employees because of the good management and good investment, do you take the surplus of that company and assist a company in a community within a hundred miles of this one, when the company you have assisted is not giving as good services to its patrons and not paying as good wages to its employees, and at the same time reimburse that company for its losses.

Mr. LAMAR. No; but there are difficulties in reaching compensation agreements. Take the State of Michigan alone. The Bell Telephone property, on the rates that were in force at the time we started in, were losing over a million dollars a year, and they had to make it up by charging more in other localities where the going was easier.

Mr. PAIGE. Why is it that the Post Office Department, with all its activities, desires to take up these problems existing all over the country; is it in the interest of the public or the telephone companies or who?

Mr. LAMAR. I think it is to the interest of both. I think if these conditions can not be corrected, the public is going to suffer more than at present. This is not my policy. I have nothing to do with the policy. As an official, I am simply attempting to operate the properties successfully under the policy that has been adopted, which was authorized by Congress.

Mr. PAIGE. I understood you some time ago to state that some telephone company was operating at a loss. Was that in Kansas, Texas, and Missouri; principally those three States?

Mr. LAMAR. No; I can not say that it is. In Missouri there has been a readjustment of rates as conditions arose. I think the companies in Missouri are now in fairly good shape, all of them.

Mr. PAIGE. How about Texas?

Mr. LAMAR. In Texas you have some bad situations. In Houston, Tex., the property has been operating at below operating expenses, to say nothing of not paying a dollar's interest.

Mr. STEENERSON. Operated at a loss?

Mr. LAMAR. At a loss.

Mr. PAIGE. My 19 dispatches are from Texas, Kansas, and Missouri, so I thought that must be the weak link in the chain.

Mr. LAMAR. No; we have not many cases in Texas that give us any trouble. In Missouri the situation is far better than many other States, and I think Kansas is in fairly good shape.

Mr. BLACK. Suppose that the Public Utilities Commission of Dallas, which is perhaps the city council, refuses to give adequate rates to the telephone companies so that they may pay their operating expenses and a reasonable dividend—

Mr. LAMAR. Which they have never done. The franchise rate at Dallas is below the cost of the service.

Mr. BLACK (continuing). Do you think it is the function of the Federal Government to undertake to reach conditions of that kind, or do you not think it is better for the people of Dallas to be without telephone service until they have sense enough to correct their own affairs?

Mr. LAMAR. It depends on whether or not the Government is going to have anything to do with the operation of the telephone systems.

Mr. BLACK. If we are going into the Government-ownership business, I agree with you, but if we are not the sooner we quit taking up these problems and let the people find their own remedies, the better it will be. Suppose the street car system of Dallas is running at a loss, as they contend, would it be the duty of the Federal Government up here to undertake to stabilize that industry, or would it be better for Dallas to have the situation squarely confront them that they must either allow an adequate rate or be without street car service?

Mr. LAMAR. Of course the transportation companies are a very different matter.

Mr. BLACK. I do not understand that there is a bit of difference unless we are going to adopt the policy of Government ownership of telephone and telegraph companies. I agree if we adopt it, that would be one of the first duties. I want to ask your opinion upon the powers of the Postmaster General under the existing law. Take the city of Houston, as you mentioned it. It is my understanding that the telephone company of that place secured its franchise by an agreement to operate at certain rates. That was the contract, and the time has not expired. The Postmaster General has ordered that those rates be increased above that contractual rate. I will admit that in time of war probably he had that power, but do you think that the Federal Government, unless it actually owns property of that kind by having purchased and paid for it, do you think in time of peace the Postmaster General would have the constitutional authority to go down there and say to the city of Houston, "Notwithstanding you have made a contract with a public-utility corporation that operates wholly within your city, I can say here from Washington that your contract is unjust and null and void, and you shall pay a higher rate." Do you think he could do that constitutionally?

Mr. LAMAR. Absolutely. We have nothing to do with the company; we are operating the property.

Mr. BLACK. We have not got a cent invested in it.

Mr. LAMAR. We have these properties to operate.

Mr. BLACK. Under the war power, but do you think after the war necessity has passed that Congress has any constitutional authority to do that unless it owns the property?

Mr. LAMAR. I am going to answer the question as to the present time.

Mr. BLACK. Is not this extension beyond the war period?

Mr. LAMAR. The obligations of the town with the company certainly are suspended, because the company is not operating these properties there.

Mr. BLACK. Conceding you had the legal right in time of war to take over the control.

Mr. LAMAR. Under the postal power there is no question in the world but that we can take those properties.

Mr. BLACK. And pay for them and buy them; but if they are owned by private owners can you do that?

Mr. LAMAR. Yes; we can do that. I do not think there is any question about it; as long as the Government has constitutional power over them to control and operate them, it can operate them as it sees fit.

Mr. BLACK. I do not concede that power at all.

Mr. LAMAR. And the revenues are the Government's revenues. I can not see that the contract between the town and the company has anything to do with the case at all.

Mr. BLACK. I do not see how you can do that unless you buy the property and pay for it.

Mr. MADDEN. That was the power the Postmaster General exercised when he issued an order that \$15 was to be charged for the installation of a telephone?

Mr. LAMAR. That was done as a war measure to retard development, when the companies could not get sufficient supplies to enable them to put them in.

Mr. AYRES. Upon that same theory you could take in any street car in the United States.

Mr. LAMAR. Under the war power, you might. There is no question about the power to do it under the postal authority.

The CHAIRMAN. This is not a Government ownership proposition at all.

Mr. BLACK. Where they have a good many local telephone exchanges that are not owned by the Bell telephone system or one of the other large companies, do you have any contract with them by which you are to pay these any compensation? Take the local telephone exchanges in a little town like Detroit, Tex., for instance.

Mr. LAMAR. It is utterly impossible to make all those compensation agreements at once. The order covers them all.

Mr. BLACK. Is it contemplated to make compensation agreements with them?

Mr. LAMAR. They are running their properties right now for Government account. There is an order issued by the Postmaster General which covers those companies.

Mr. BLACK. Is it contemplated that the Government will eventually make contracts with every telephone company in the United States of a small nature that were included in the order?

Mr. LAMAR. Yes.

Mr. BLACK. How many States does the American Telegraph & Telephone Co. operate in—all of the 48?

Mr. LAMAR. I suppose all of them.

Mr. BLACK. What percentage of local exchanges does it own?

Mr. LAMAR. A very large percentage of them, I think.

Mr. BLACK. Does it have subsidiary companies? For instance, the Southwestern Telegraph & Telephone Co., is that a subsidiary of the American Telegraph & Telephone Co.?

Mr. LAMAR. It is what they call a constituent company; one of the Bell system.

Mr. BLACK. What is their system of affiliation?

Mr. LAMAR. The system is this: The American Telegraph & Telephone Co. is a holding operating company. It owns the patents and franchises, and these companies, such as the Chesapeake & Potomac Telephone Co., operating in Washington and Baltimore, are constituent companies. They pay the Bell Co. $4\frac{1}{2}$ per cent of the gross earnings for the use of all the instruments, which are kept in repair by the Bell Co., and the Bell Co. does all the engineering, providing for just how the wires shall be placed in order to make a homogenous system. I have copies of the provisions and can show them to you. That $4\frac{1}{2}$ per cent covers the gross revenues of the local company. Then the Bell Co. itself, the A. T. & T., furnishes the long-distance lines, the local company does all the local exchange work and connects up with these long-distance lines, and a percentage of the long-distance toll goes to the long-distance company. The A. T. & T. is essentially a long-distance line as an operating branch of the service.

Mr. BLACK. And by this method of constituent companies it is really affiliated with the larger number of telephone companies in the United States?

Mr. LAMAR. I should not say the larger number, but the larger properties.

Mr. HOLLAND. What extension of time would the department suggest?

Mr. LAMAR. I do not know that the department has any definite time to suggest, except as indicated by the telephone companies. They think it would take two or three years to at least bridge over this abnormal period.

Mr. HOLLAND. You think the department would probably suggest an extension of two or three years?

Mr. LAMAR. The general opinion is about three years; some think five years and some think about three years.

Mr. HOLLAND. Are these properties now being operated by the Government at a loss or at a profit?

Mr. LAMAR. I have not the balance sheet on that, but some of them are doing better than we expected and some are not doing quite so well, due to the local labor conditions that have caused a falling off; but they will be operated on their revenues. There is no question about that and no appropriation by Congress will be needed.

Mr. HOLLAND. In view of the peculiar conditions that will exist probably during the next two or three years, it is expected that the profits will increase or that the expenses will overbalance the profits?

Mr. LAMAR. The general impression is that we have reached a high tide of labor demands, but as I have shown, the average increase in wages generally throughout the country has been about 70 per cent, and the advance so far in the telephone wage rates has not exceeded 30 per cent, so that there is still a very insistent demand on the part of the employees of telephone and telegraph companies for a further increase so as to bring them within range of the laborers who have had their wages increased so much more.

Mr. HOLLAND. If any loss should be sustained, who would pay it, the companies or the Government?

Mr. LAMAR. If there is any loss sustained the Government would be responsible for it under this act.

Mr. HOLLAND. Why can not these companies operate these properties just as economically as the Government can?

Mr. LAMAR. They can not do it on account of the Sherman anti-trust act.

Mr. HOLLAND. With that amended, there is no reason why they could not do it?

Mr. LAMAR. If that law is amended so that one may swallow all of them, they may be able to operate the properties better than the Government if allowed to inaugurate an adequate and comprehensive system of rates.

Mr. BLACK. I notice you stated that on account of the delayed construction and the probable necessity for new financing it is necessary to extend this time of Government control. Suppose we extend the time of Government control to a definite period of two years, and the Texarkana Telephone Co., which owns the local exchange in Texas and operates many local exchanges and owns the local exchange in my home town, needs financing, has the Postmaster General any authority to finance it for any extensions?

Mr. LAMAR. That is all covered by the contract. What they do is this: They obligate themselves to raise the money on the properties for such extensions as the Postmaster General and the companies agree upon as proper extensions, and the Postmaster General assumes the cost of the money, the interest on the money. There does not seem to be any difficulty.

Mr. BLACK. The point is, what assistance will the Government be, other than possibly guaranteeing the payment of interest, during the period of two years? The Government will not assume any obligation to pay those securities?

Mr. LAMAR. It does not assume any obligation to pay those securities, but the mere fact that they are operating under those conditions, with a contract that is favorable to the investors, enables them to get what money they need.

Mr. BLACK. Do you think a two-year period would assist the Texarkana Telephone Co. in floating 30-year bonds?

Mr. LAMAR. I do not think it would help very much in Texarkana, or Houston and some other places that are insisting that their franchise agreement be carried out, under which it is manifest to the man that is walking down the street that the company can not get enough money to pay operating expenses. I do not think a guaranty like the Government would give would help them to get any money in such cases.

Mr. BLACK. In a case of that kind it is up to the people. If they haven't sense enough to allow public utilities to charge a reasonable rate they ought to suffer for it, and not the public by general taxation.

Mr. MADDEN. You say the Postmaster General would have to agree to any improvement sought to be made or any application for the issue of securities and sale for the development of the company before the company itself could enter upon an extension?

Mr. LAMAR. That is provided in the original act.

Mr. MADDEN. In that case the chances are that the Postmaster General would say that they could not do it?

Mr. LAMAR. You have to provide new facilities if you are to keep up with the public demand for service. The more service you have the more phones have to be put in and the better the returns are. There is nothing there to make the Postmaster General want to retard development.

Mr. RAMSEYER. You have not the cables?

Mr. LAMAR. No contracts have been made for the cables.

Mr. RAMSEYER. None of them?

Mr. LAMAR. None.

Mr. RAMSEYER. I understand you have entered into contract with all the telephone and telegraph companies and cable companies except the Mackay Co.?

Mr. LAMAR. We have entered into no contract with the cable companies at all.

Mr. RAMSEYER. You have entered into contract with all the other companies?

Mr. LAMAR. Most of the large companies except the Mackay Co., as owners of the Postal Telegraph.

Mr. RAMSEYER. What is the trouble there?

Mr. LAMAR. I am glad you asked me that question. We had a great deal of difficulty with the Mackay Co. from the very start. We found that there are about 40 companies that compose the Mackay system. Those companies are organized in various States for purposes of their own, in some instances to meet the requirements of local State legislation, and some of the purposes apparent to my mind I do not care to mention now. Those companies, as individual companies, had to report to the Interstate Commerce Commission the results of their operations on the forms required by the Interstate Commerce Commission, and in the aggregate for a series of years the figures are reflected in those various items, the capitalization and net profits, etc. [indicating].

Every one of those reports was sworn to, but when we sent out this Post Office Department questionnaire they swore to another report and sent it in, this latter report shows it is from the headquarters of the Mackay Co. The operations of these companies is shown in the aggregate. There is a great and significant divergence in the figures. We tried to harmonize the figures and gave them every opportunity to harmonize the figures. They did not do it, and, failing in that, we asked for a valuation of the property. They insisted that no valuation of the property had been made, and they could not even guess what it was, and that they had no idea what it was. According to the figures furnished the Interstate Commerce Commission, they swore that the property was worth about \$6,400,000. It was manifest that the property was worth several times that

amount, taking the miles of pole lines and the well-known condition of the poles, number of wires, etc. We reached the conclusion that the property might be worth \$28,000,000. The net revenue from the operations of this company, according to its sworn statement made on the questionnaire (over \$4,000,000), was manifestly too much for dividends upon a fair valuation of the property and many times what they should be upon the sworn valuation made by these companies to the Interstate Commerce Commission.

So we were left with little data of value to act upon except their statement that they were making something over \$4,000,000 a year net revenues. The Mackay companies wanted the Government to obligate itself by one of these contracts to pay them what they said they were making out of the property.

Then we looked into it from another angle. We found this was not a national system at all. It only handled the class of messages that pay the most. So it is possible that it could make a higher profit from the cream of the telegraph business; that is, more money on the investment than in a system which has offices scattered everywhere and forming a national system with some unprofitable business, such as is found in the Postal Service. It was thought unfair to the public to take the Postal property on the terms proposed, but the Postmaster General decided that in order to give the Court of Claims jurisdiction some award ought to be made. This was done as fairly as could be done with the facts before us.

Mr. MADDEN. What was the amount you were willing to pay to the Mackay firm, what percentage?

Mr. LAMAR. I think it was about a million six hundred and eighty thousand dollars.

Mr. MADDEN. Was it 50 per cent of the revenue?

Mr. LAMAR. It was less than what they claimed to be his net revenue.

Mr. STEENERSON. Giving him \$4,209,000.

Mr. LAMAR. If it was operated on such terms by the Government there would be something wrong with the system, for I do not think Congress or the people would stand for the Government operating a particular piece of property and paying 50 or 75 per cent dividends and interest on the investment very long.

Mr. PAIGE. Have you had enough experience to justify you in determining what would be the right thing; has the Government had sufficient experience?

Mr. LAMAR. We do not pretend to have done exactly the right thing; we have done the best we could. In my judgment, for the purposes of this award, we have valued that property at as much as it will possibly stand.

Mr. PAIGE. You say you do not pretend to have done the right thing?

Mr. LAMAR. No; we could not tell then, and it will require determination by the courts to determine the right thing in this case.

Mr. PAIGE. In what respect did you fail to do the right thing?

Mr. LAMAR. We did not know what the right thing was, whether the award was higher or lower than it should be. We had to guess it. The award shows it is a guess, and shows why it is a guess—because the company did not give the necessary information.

Mr. PAIGE. Do you think you are justified in asking this committee to recommend the passage of legislation where everything you have stated is a guess? ✓

Mr. LAMAR. I do not think we have guessed very much on anything else except this matter, though, of course, many estimates have been used in other matters.

Mr. PAIGE. I have asked you a great many questions on a number of things, and you have not been able to answer one of them.

Mr. LAMAR. You have asked for figures, and I will be able to get them for you. Here is a statement the Postmaster General gave out [exhibiting paper]:

The CHAIRMAN. That can be inserted in the record.

Mr. PAIGE. You have not made an agreement with the Mackay Co.?

Mr. LAMAR. Oh, no.

Mr. PAIGE. Is the case in the Court of Claims now?

Mr. LAMAR. No; they have not gotten to the Court of Claims. I do not think they will ever go there; I do not think they will attempt to explain those affidavits in court. I think they will accept the compensation before they will do that. They have too much to explain, if our experience with them is of any value. ✓

Mr. PAIGE. You have made them an offer?

Mr. LAMAR. An offer.

Mr. PAIGE. Is that in your statement?

Mr. LAMAR. Oh, yes.

Mr. MADDEN. What per cent of their income did that offer amount to?

Mr. LAMAR. It was about 6 per cent of the estimated value of the property, on the basis of \$28,000,000, whatever that amounts to.

Mr. BLACK. Do you know how much stock is watered?

Mr. LAMAR. I do not think that is the trouble.

Mr. BLACK. You do not think any of it is watered?

Mr. LAMAR. There are very few signs of it here. The capitalization is very low.

Mr. STEENERSON. Is that figure correct? Mackay says the Postmaster General "awarded the Postal Telegraph system \$1,680,000 per annum for the seizure of its lines. This leaves only \$880,000 for the company after paying the interest."

Mr. LAMAR. That may be true.

Mr. STEENERSON. They print the statement of Barrow, Wade, Guthrie & Co., chartered accountants, New York and London, which says:

We have examined the books and accounts of the Mackay Co.'s Postal Telegraph system for the year 1917, and hereby certify that the above statement, showing a balance of \$4,269,547.61, is correct, subject to a deduction of \$800,000 for bond interest.

Did they furnish that to you?

Mr. LAMAR. Yes; they furnished a statement of that amount.

Mr. STEENERSON. Over \$4,000,000, and you have allowed \$1,000,000?

Mr. LAMAR. Yes; \$1,680,000.

I may call the attention of the committee to the fact that the low valuation of the Postal Telegraph properties sworn to in its report to the Interstate Commerce Commission, namely, \$6,647,472, if followed by the State tax authorities will enable the Mackay Cos. to

avoid taxation on over \$20,000,000 upon the basis of \$28,000,000 valuation used by the Postmaster General in arriving at his award of compensation to the Mackay Cos. for the use of these properties, and which compensation the Mackay Cos. now claim is grossly inadequate.

If the sworn statement of the Mackay Cos. to the Interstate Commerce Commission as to the value of this property is correct, then the compensation for the use of the property by the Government insisted upon by the Mackay Co., namely, \$4,200,000 per annum, if granted, would be 63 per cent per annum on the investment value.

If \$28,000,000, the basis used by the Postmaster General in his award, should prove to be the maximum valuation of the property, then the \$4,200,000 claimed by the Mackay Cos. to be the just compensation would be about 15 per cent on the investment value of the property, or between two and three times as much as the compensation fixed by agreement with the other telegraph and telephone companies. The Mackay companies in their sworn statement to the Interstate Commerce Commission charge to depreciation on these properties for the year 1916 \$2,197,900. The charge for the same period as appears on their sworn answer to the questionnaires to the Post Office Department is \$427,803. For the year 1917 their report to the Interstate Commerce Commission showed a depreciation charge of \$2,350,200, while the amount of depreciation for the same period reported on the questionnaires to the Post Office Department was only \$448,975; and, I may add, in their statement before the wire committee the officers of the company claimed that the latter figure, \$448,975, represented the maximum amount ever actually applied to depreciation in any one year. In view of the conflicting sworn statements of the Mackay Cos. referred to, the Post Office Department knows of no way to adjust the matter except in a suit in the Court of Claims, where evidence could be taken and the matter judicially determined, but this course does not seem to be acceptable to the Mackay Cos., who apparently prefer to try it out in the newspapers.

The CHAIRMAN. Unless there is some other member of the committee who wants to ask questions before I do, I want to ask a question. Do you make contracts with the companies to pay a certain compensation to each company?

Mr. LAMAR. Yes.

The CHAIRMAN. Is that to be paid out of the whole fund, or out of the earnings of that particular company?

Mr. LAMAR. No; there is nothing said about the earnings of a particular company.

The CHAIRMAN. If a company earns more than you pay it, the surplus goes into the general fund?

Mr. LAMAR. Yes.

The CHAIRMAN. And that may be paid to another company?

Mr. LAMAR. It may be utilized for any purpose, and if we contract to pay more than we are earning, temporarily, until the rates are readjusted, we have to get the money that is available.

The CHAIRMAN. At any rate, any company with which you contract gets the compensation contracted for, and you have the right to do with the surplus what you see fit, under the law?

Mr. LAMAR. Yes.

The CHAIRMAN. In order that we may understand you clearly, why is it that you regard it important for the Government to continue its present control, rather than to turn these properties over now to the telegraph companies?

Mr. LAMAR. I do not think the companies are in condition to accept them back under present conditions—labor and material, etc.

The CHAIRMAN. Would it be operated at a loss to the companies?

Mr. LAMAR. I think it would be liable to bankrupt some of them.

The CHAIRMAN. How would it affect the general public?

Mr. LAMAR. If the property is in bad shape the general public will suffer. ✓

The CHAIRMAN. I take it from that view that you would regard it as proper for this bill to be amended so as to fix a definite time in which they shall be turned back, so that the companies and the Government can adjust the situation to prevent loss both to the public and the companies?

Mr. LAMAR. Yes.

The CHAIRMAN. What do you say to an amendment of this sort to this bill, "*Provided*, That the Treasury of the United States shall not be called upon to pay for the maintenance of this system of temporary Government control, and all the money to be expended by the department will be limited to the revenues derived from service"? Of course, that is not the exact language that would be used.

Mr. LAMAR. I see no objection to such an amendment. In fact, such a provision in the law might make definite now what a good many gentlemen do not seem to understand, and I think it would be better if we were to have such an amendment as that.

The CHAIRMAN. So that if this resolution, as amended, were passed, fixing the time and providing that there should be no expense on the National Treasury on account of this operation, that there would be no possible loss to the Government, and that the people would be benefited by the service ultimately, by the perfection of the system, and that the companies themselves would be benefited by the further extension of this time, I think all matters could be adjusted.

Mr. LAMAR. There is only one question that occurs to my mind. Of course, in order to have the provision constitutional, even having a limited period of time, just compensation must be made to the companies. If you provide definitely in terms in this act—I do not think it is necessary, but if you do that in terms—that rates should be fixed so as to produce the revenue necessary to handle these properties without cost to the Government, you would meet a constitutional question that might be raised. We had that very point raised in the suit by the Commercial Cable people in New York by Judge Hughes. He contended that the provision for the Court of Claims automatically fixing the compensation was not a compliance with the Constitution.

The CHAIRMAN. Your suggestion is—that is, the revenue should not be sufficient in order to get the compensation they are entitled to under the contract—under the Constitution you might have to go into the Treasury to get the money?

Mr. LAMAR. Yes; it must appear on the face of this law that there is an adequate provision for this fund in order to meet the requirements of the Constitution.

The CHAIRMAN. I do not mean an amendment in that language, but an amendment that means that the expense shall come from the revenues derived from the companies.

Mr. MADDEN. In other words, you would be required, if your suggestion was carried to a logical conclusion, to include a provision in this bill to authorize them to make such legislation as would direct Congress to bring about that situation.

Mr. AYRES. You would have to deal with interstate commerce, would you not?

Mr. STEENERSON. It seems to me impossible for Congress to enact legislation of that kind, because the resolution always provides to get it into the Court of Claims, and we are liable to have incurred losses of many millions of dollars already, and we can not legislate out of that.

The CHAIRMAN. Of course not on that question, but I think a provision might be drawn so that after the contracts are made the compensation may be limited to the revenue derived from the whole system or else the property would go back.

Mr. STEENERSON. But hundreds of these contracts have already been signed, where we agreed to pay a definite sum, and if we do not earn that the Government has to pay it.

The CHAIRMAN. Of course, you can not affect any contract that is already made.

Mr. LAMAR. There are two branches to this question: One is the responsibility of the Government for the use of these properties and the other is the direction to the Postmaster General as to how to raise the money. I think you have power to put in an amendment directing the Postmaster General how to raise this amount of money out of these properties. That has nothing to do with the question of just compensation, which is provided for.

The CHAIRMAN. Of course, there is no method by which you can prevent just compensation for the property. Can you draw an amendment along the lines you have suggested?

Mr. LAMAR. I think so.

Mr. STEENERSON. If you authorize them to raise the rates, of course, it follows that they can raise the rates to suit themselves. There is no limit on that.

Mr. BLACK. Do you not think that if the Federal Government continues to operate and control these telegraph and telephone companies there will be a more persistent insistence for higher wages than there would be if they were turned back to the companies?

Mr. LAMAR. It work two ways. You will have the same thing with these people that you had with the letter carriers.

Mr. BLACK. The reason I suggest it is that I have received a letter from a telephone manager in a local exchange, in which he says I can make myself the most popular man in the United States by seeing that the telephone employees get the same wages as the postal employees. Already they are raising that question.

Mr. LAMAR. If you want to find out how these labor people feel about this, here is another statement headed "Confidential communication," sent out by the president of the International Telegraphers' Union, in which he forecasts just exactly how they propose to work from now on. It shows what they have done heretofore and what they wish to do this year.

Mr. AYRES. I wish you would put that in the record.

The CHAIRMAN. There are two; one, I notice, on the operation of the telephones and another on the question we were just discussing. (The papers above referred to are as follows:)

OFFICE OF INFORMATION,
POST OFFICE DEPARTMENT,
November 20, 1918.

Postmaster General Burleson announced to-day that he had found it impossible to accept the proposal of the Postal Telegraph-Cable Co. for compensation for its land lines during the period of Government control, and had therefore made an award fixing the compensation at a figure which was believed to be just, in view of the best information obtainable by the department.

Inability to come to an agreement with the Postal Telegraph-Cable Co. was due to the fact that figures furnished to the department by that company were greatly at variance with those furnished under oath to the Interstate Commerce Commission by the component companies, who, I am informed, own the plant and equipment used in the operation of the Postal Telegraph-Cable Co.'s land lines.

The Postal Telegraph-Cable Co. is composed of a number of component companies, each of which makes returns under oath to the Interstate Commerce Commission on the regular prescribed form. The records show that for the calendar year ended December 31, 1916, the total investment in plant and equipment as reported for the 39 companies covered by the award amounted to \$6,647,472. The gross revenues of these companies as reported to the Interstate Commerce Commission were for that year \$12,096,586, and the net income after deducting the operating expenses and taxes was reported to be \$332,343, while on the sworn questionnaire furnished to the department the Postal Telegraph-Cable Co. stated their net operating income for the land lines for this same year (1916) to have been \$4,157,870.44. In their report to the Interstate Commerce Commission for 1916 the component companies charged \$2,197,900 for depreciation. In the information furnished to the department the charge for depreciation during that period was placed at \$427,803.

In the report of these component companies to the Interstate Commerce Commission for 1917, the gross revenues are reported to be \$12,855,420; and the net income to be \$117,264. In the questionnaire furnished to the department by the Postal Telegraph-Cable Co. the net income for 1917 of the land lines is stated to be \$4,485,593.34. The depreciation charge made in the report to the Interstate Commerce Commission for 1917 was \$2,350,200; while in the information furnished to the department for the same period the depreciation charge was placed at \$448,975.

The company stated that they were unable to furnish the department with any approximate valuation of their property, as they were without knowledge as to the amount invested in the plant. The figures furnished by the company to the Post Office Department showing net operating income and depreciation charges were so at variance with those reported to the Interstate Commerce Commission that this, coupled with their inability to furnish any information as to the value of their property, made it impossible for the Postmaster General to accept their proposal and very difficult to fix the compensation. The department, therefore, proceeded to determine as nearly as possible from the best information available the value of the properties and to fix a just compensation. In doing so the same general principles were followed with respect to the valuation of the properties as were employed in fixing the contract for the Western Union Telegraph Co.

The statement contained in Mr. Mackay's letter dated November 11, 1918, and which has been made public by him, to the effect that the compensation to the Western Union Co. is more than that company's earnings for 1917, is not based on facts. The compensation allowed the Western Union Co. by the department is approximately \$2,500,000 less than its income for that year from the land lines.

The Postal Telegraph-Cable Co. is the only wire company with which the Post Office Department has had any difficulty in coming to an agreement as to compensation.

It will be seen, however, that when the land line companies reported their net operating revenues for the year 1916 to be \$332,343, and for the year 1917 to be \$117,264, that the department could not yield to their demands that they

be paid \$3,800,000, and interest, as a just compensation, and therefore awarded what it believed to be just compensation in view of all the facts before it and requested the company to bring a suit in the Court of Claims to establish what compensation it was entitled to and stated that we would aid them in every way possible in doing so.

OFFICE OF INFORMATION,
POST OFFICE DEPARTMENT,
Washington, January 11, 1919.

The attention of Postmaster General Burleson has been directed to the fact that a movement has been started to crystalize and give widely spread expression of dissatisfaction with the increased wage rate for telegraph employees granted by the Post Office Department. This agitation was started before the wage increase was decided upon.

Confidential communications urging a propaganda of protest have been sent out by certain leaders in the movement, and meetings of telegraph employees have been arranged for in various parts of the country for the purpose of passing resolutions of protest before the facts were known against which the protest was made. A call has been sent out to the telegraph and telephone workers to meet Sunday, January 12, "for the purpose of discussing matters of vital interest which particularly concern each and every worker in the United States."

The following letter was sent out on December 30 by S. J. Konenkamp, International President of the Commercial Telegraphers' Union, as a "confidential communication to all organizers and officers of subordinate units:"

DEC. 30TH, 1918.

Confidential communication.

To all organizers and officers of subordinate units:

I wish you would read this with the understanding that certain plans are now under consideration whereby the telegraphers may lead a fight in which they will not be alone. It is too early to discuss the idea, but it is not too early to start working upon the elements.

The failure of Mr. Burleson to keep his word to reinstate the telegraph workers may prove to be a serious mistake for him. His attitude on the wage question is merely secondary to the fact that as a representative of the United States Government, Mr. Burleson has not so far been as good as his word. "Wages and reinstatements" will be our slogan for the coming year and the Government must make good.

With this in mind, I wish to suggest that you make your preparations now for what may come.

Keep up a constant agitation not only with the Wire Administration, but with all other agencies in Washington. Don't threaten anything, but insist as strongly as you know how on justice. I anticipate that justice will be ignored, but it is a preparation for our next step.

Put out literature at least twice a month during the next few months, dwell upon wages, reinstatements, the justice of our contentions, the failure of the Government to keep its word, the failure of the National War Labor Board, the necessity for the punch in order to get industrial justice, etc. Propaganda should be continually in circulation.

Elect some good earnest speakers to the Central Labor Union; let them tell our grievances, and how the Government failed to keep faith.

Get in close touch with the telephone workers, the railroad telegraphers, the Post Office employees, and, in fact, all workers under Government control. Get acquainted with them, exchange ideas with them, and impress upon their minds that freedom is a mockery to the workers unless it embraces industrial freedom guaranteed by the "right to organize," to bargain collectively, and the right not only to a living wage, but to a wage sufficient to maintain a decent standard of living.

Do these things with the knowledge that they are part of a general movement which, before it ends, will spell success for the campaign started in 1918, and which will successfully end before the end of the year 1919.

Yours, fraternally,

S. J. KONENKAMP,
International President.

After the increased-wage schedule was approved by the Postmaster General, Mr. Konenkamp, on December 31, sent out the following communication "to all telegraph workers":

I have just received word from Washington of the increase in wages from 5 to 10 per cent. The full details are being mailed to headquarters. Insufficient as it is, the telegraph workers of the country need thank no one but the C. T. U. A. for what has already been gained, in spite of the obstacles that others have placed in our path.

Tell your members that it is our intention to keep on pressing our original demands until we establish the wage scale set as our standard. We know the workers will not be satisfied with this petty increase, and they should not hesitate in informing the wire board that this is not enough. We will arrange to appeal from this award just as soon as possible.

The G. N. W. wage schedule published in the December Journal makes the Government announcement insignificant, but the G. N. W. division is one of the strongest in the union to-day, and their schedule shows the result of four strikes in the past dozen years. They have the financial and numerical strength to insist upon their rights. This same strength has to be developed in the commercial service of the United States. Now is the time to do it.

I have arranged to get a full copy of the announcement, and as soon as it can be printed copies will be mailed to you.

Every subordinate unit should announce at once that it will meet Sunday, January 12th, for the purpose of discussing this award and determining upon future action. In the meantime those who wish to protest to the wire board against this small increase should do so without delay.

Yours, fraternally,

(Signed) . S. J. KONENKAMP,
International President.

"It was to be expected," the Postmaster General said when the matter was called to his attention, "that some of the telegraph operators necessarily would be disappointed at not receiving as large an increase of pay as they requested and that there would be some expressions of dissatisfaction. This is a propaganda to capitalize the natural disappointment of employees and to magnify it into a universal agitation of discontent.

"The order of the Postmaster General making a general increase in the wage scale of telegraph employees, which went into effect on January 1, while not providing for as high a scale as asked for granted as great an increase as under the present conditions of the service could be borne by the revenues. When this order was issued the armistice had been signed, entirely changing conditions from those existing at the time the larger wage scale was suggested, making it inadvisable to make such an increase in wages. The interests of the users of the telegraph as well as those of the employees had to be considered, and the large increase of the wage scale demanded could not have been made without a corresponding increase in the charges for service to the public. The increases that went into effect on January 1 aggregated about three million and a half dollars, which is added to the annual operating cost of the service. A further increase, such as would meet the demands of those seeking to inspire a protest on the part of the employees, would necessitate a much higher charge upon the users of the telegraph, whose right to service at a reasonable cost can not be ignored, however well disposed I may be toward allowing liberal compensation to the employees."

Mr. AYRES. In other words, the Government is assuming the responsibility and liability of all these people, so that inside of two years Government control will be so unpopular you will not hear anything about Government control two years from now.

Mr. LAMAR. There are several ways of looking at that. If we operate these properties in a satisfactory way the public might want to continue, and yet we might not suit a lot of the labor men.

Mr. AYRES. You are liable to raise the rates in order to meet the expense, and when you do not raise the wages of the employees you know what that means.

Mr. STEENERSON. This paragraph on page 2, "The Postmaster General is also directed to negotiate contracts for the purchase of any or all telephone lines, together with their property and effects, subject to the approval of Congress," is the first step to Government ownership?

Mr. LAMAR. It really puts the telegraph and telephone in the same position we had the telegraph under the act of 1866.

Mr. STEENERSON. Without regard to the act of 1866, it is the first step?

Mr. LAMAR. I do not so regard it.

Mr. STEENERSON. If you authorize a man to buy a horse subject to your approval, is not that the first step toward buying the horse?

Mr. LAMAR. Yes.

Mr. STEENERSON. And if you back out of a horse deal after you have authorized a man to negotiate for him you are not acting very honorably?

Mr. LAMAR. I understood this paragraph Mr. Moon had left out of the draft.

Mr. STEENERSON. I hope so. If it was purchased as contemplated by that paragraph then the revenues from the business of telegraphing and telephoning would go into the Treasury and have to be taken out by an act of Congress.

Mr. LAMAR. I suppose if the Government finally purchased these properties there would be further legislation.

Mr. STEENERSON. Would it not necessarily, if owned by the Government, go into the Treasury?

Mr. LAMAR. I should think so.

Mr. STEENERSON. You do not claim there is any authority now except under the war power?

Mr. LAMAR. It is entirely under the resolution passed, from the war power.

Mr. STEENERSON. But this permanent ownership, whoever proposed it, is not based upon the war power?

Mr. LAMAR. The postal power.

Mr. STEENERSON. It is not based on the commerce clause?

Mr. LAMAR. No.

Mr. STEENERSON. It has nothing to do with it?

Mr. LAMAR. No. It might be under the commerce clause if limited to interstate commerce, but that is not necessary in dealing with a matter under the postal law, where you can deal with intra as well as inter state matters.

Mr. STEENERSON. So that this proposition is founded on that provision of the Constitution regarding the establishment of post offices and post roads?

Mr. LAMAR. Yes.

Mr. PAIGE. Is it your opinion that the Government is any better served with the Government management of the railroads?

Mr. LAMAR. I do not know anything about that.

Mr. PAIGE. What is your judgment about the telegraph and telephone systems? Would the people be better served than they are now?

Mr. LAMAR. I think that it is possible under Government control to have better service than we have under existing conditions, with 48 States controlling every line that passes through them. I am not so well satisfied that you could not have private control under different conditions that would be better than either.

The CHAIRMAN. Without objection we will put all these papers in the hearings.

Mr. STEENERSON. When those people were written to were they given to understand in a way that Government control was going to continue, or asked to express themselves as to the length of time?

The CHAIRMAN. They were not asked about time at all. The question of time was a matter left to them. The letter sent to them said that "the resolution, a copy of which is inclosed, has been introduced, and we would be glad to have your opinion on it." They seemed to have some arrangement among themselves. Anybody can readily see that, because nearly all of them are to the same effect; all of them agreed, evidently, upon the resolution with the time limit in it.

Mr. STEENERSON. You did not send them to all companies?

The CHAIRMAN. To all I knew anything about.

Mr. STEENERSON. How many?

The CHAIRMAN. Six or seven big companies, and here are telegrams from a large number of small companies, independent companies, that expressed their opinions about it, but they are all in pretty much the same language.

Mr. STEENERSON. But I understand there are some 20,000 companies.

The CHAIRMAN. They were sent to 8 or 10 of the leading companies.

Mr. STEENERSON. Who picked out the names to whom they should be sent?

The CHAIRMAN. I picked out some of them, and I had the rest of them picked out—a large number of them.

Mr. STEENERSON. I thought it was strange there should be such unanimity.

The CHAIRMAN. The reason for it is that I think the telephone and telegraph companies, except a few, have all consulted, and they have no objection to this proposition and really favor it, but they do not want this thing to be continuous. They want a limit put to the Government ownership and control of it by the act itself, and therefore they have all suggested from two to five years.

Mr. PAIGE. I have failed to hear any good reason for this legislation and I move that it be indefinitely postponed.

The CHAIRMAN. That is out of order at present.

Mr. MADDEN. I move that we adjourn to meet a week from to-day and that in the meantime you notify everybody to appear who wishes to be heard.

The CHAIRMAN. I have notified everybody I know of.

Mr. STEENERSON. I think the newspapers ought to be given a hearing.

The CHAIRMAN. They can be heard if they desire.

Mr. STEENERSON. We can notify the newspapers.

POST OFFICE DEPARTMENT,
OFFICE OF THE SOLICITOR,
Washington, January 16, 1919.

CLERK,
House Post Office Committee.

DEAR SIR: I am inclosing the testimony taken at the hearing on the House Joint Resolution No. 368, in which I have corrected my testimony and attached some of the papers requested by the committee. Some further data, as requested by the committee, is being prepared and will be submitted as soon as the preparation is concluded.

Very truly, yours,

W. H. LAMAR, *Solicitor.*

TELEGRAPH AND TELEPHONE SERVICE.

OFFICE OF THE POSTMASTER GENERAL,
Washington, November 18, 1918.

Order No. 2411.

Until otherwise ordered by the Postmaster General, any firm, company, or association, whether incorporated or unincorporated, owning or operating telephone systems, system, or part of a system as a cooperative enterprise and receiving no revenue either directly or indirectly from any source other than from its own partners, stockholders, or members as assessments or dues, shall not be required to comply with the orders of the Postmaster General affecting telephone companies; and until otherwise ordered by the Postmaster General any such system or part of system so owned or operated and now connected with any system under Government control shall continue to be so connected on the terms and conditions now governing such connections, if such systems, system, or part of system, shall be maintained and operated at a standard satisfactory to the Postmaster General, and no extension shall be made until after the plans for such extension shall be approved by the Postmaster General.

TELEGRAPH AND TELEPHONE SERVICE.

BULLETIN NO. 5.

OFFICE OF THE POSTMASTER GENERAL,
Washington, August 28, 1918.

Order No. 1931.

Owing to the necessity for conserving labor and material and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installations; also a charge for all changes in location of telephones.

Installation charges to be as follows:

Where the rate is \$2 a month or less.....	\$5
Where the rate is more than \$2, but not exceeding \$4 a month.....	10
Where the rate is more than \$4 a month.....	15

The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change.

In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that "until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels," in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible. In all cases, however, where rates are changed such changes should be submitted to me for approval before being placed in effect.

A. S. BURLESON,
Postmaster General.

TELEGRAPH AND TELEPHONE SERVICE.

BULLETIN NO. 8.

OFFICE OF THE POSTMASTER GENERAL.

Washington, September 14, 1918.

Order No. 1931, issued by me under date of August 28th, provided certain charges for all installations of telephones on and after September 1, 1918; also a charge for the "moving" of telephones. On account of the many inquiries regarding the order, the following instructions are issued:

1. Installation charges made effective by Order No. 1931 shall be referred to by telephone companies and collected from subscribers as "Service-connection charges" and shall be based on the minimum net rate charged to the subscriber. These service-connection charges shall be collected from all applicants for new or additional service at the time of application and before such new service or additional service is established.

2. In cases of "Changes of name," or where no lapse of service occurs, the minimum charge of \$3 shall apply in all cases.

3. Service-connection charges do not apply to extension-bells, push-buttons, buzzers, or miscellaneous equipment of like character, nor to directory listings.

4. With the exceptions above noted the service-connection charge shall apply to each class of service and class of equipment furnished the applicant for which the company shall have a regular separate established rate and the amount of the service-connection charge shall be determined by the amount of the regular established rate, in accordance with the terms of Order No. 1931.

5. All subscribers who pay the service-connection charges established under Order No. 1931 shall be relieved of any other service-connection charges, cancellation charges, charges made in liquidation of damages on account of short terms and short-term rates, and the use of one year or any other period in excess of one month as a minimum contract period for telephone service.

6. The "Moving charge" referred to in Order No. 1931 applies only to changes in the location of equipment on the premises. Such changes are generally known as "Inside moves." For purposes of economy in administration and for the convenience of the public the charge for moving a telephone set from one location to another on the same premises shall be \$3. The charge for moving all other equipment from one location to another on the same premises shall be based on the cost of labor and materials.

7. Order No. 1931 abolishes the distinction heretofore made by some companies between a new installation or a new service connection and an outside move; and all changes in the location of the subscriber which have heretofore been described as outside moves will hereafter be treated as new "Service connections" and subject to the service-connection charges of Order No. 1931 and of these instructions supplementary thereto.

8. Service-connection charges do not apply to the service known as "Service stations" or "Switching service," and they do not supersede special installation or construction charges or mileage charges of any kind.

A. S. BURLESON,

Postmaster General.

TELEGRAPH AND TELEPHONE SERVICE.

BULLETIN NO. 15.

ORDER No. 2352.

POST OFFICE DEPARTMENT.

OFFICE OF THE POSTMASTER GENERAL.

Washington, November 18, 1918.

Owing to the cessation of hostilities the necessity for conserving labor and material has been relieved to some extent, thereby enabling the Postmaster General to modify Order No. 1931, issued under date of August 28, 1918, fixing certain charges for the installation of telephone service, and Bulletin No. 8, issued September 14, 1918, explanatory thereof.

Experience and careful investigation of the entire subject has demonstrated the fact that certain service connection charges covering to some extent the average cost of the initial expense of establishing service for new subscribers and of furnishing additional facilities to old subscribers should be paid by

5. The charges specified above in no case to exceed the service connection charge applicable to the entire service of the particular subscriber.

A. S. BURLERSON,
Postmaster General.

TELEGRAPH AND TELEPHONE SERVICE.

BULLETIN NO. 22.

OFFICE OF THE POSTMASTER GENERAL,
Washington, December 13, 1918.

ORDER No. 2495.

There are many counties and districts in which a free toll service is granted the subscriber within such county or district, the exchange rates presumably having been made with a view to such free toll service. This order shall not be construed as requiring a discontinuance of these privileges pending a study and revision of these exchange rates.

Nothing in this order establishing toll rates shall be construed as changing rates made without reference to mileage now established for service within a certain county or other area when such rates are not in excess of 10 cents, but no further rates of this character shall be established without specific approval of the Postmaster General.

In competitive situations where the earning value of a property under Federal control would be unfavorably affected by the establishment of rates and charges herein ordered, an exception may be made by filing with the Postmaster General a statement to that effect, with a proposal of modification from ordered rates, and such modifications may go into effect unless vetoed or otherwise ordered by the Postmaster General within 30 days, and during such 30 days existing rates may be continued.

I. CLASSIFICATION OF TOLL TELEPHONE SERVICE.

The following classes of telephone toll-message service shall be established effective at 12.01 a. m., January 21, 1919.

1. *Station-to-station messages.*—This service shall be defined by the following conditions:

(a) Orders for station-to-station service shall specify the telephone station called, either by telephone number or by the name of the subscriber of the called station.

(b) Under this classification orders will not be accepted to establish communication between particular persons.

(c) The measurement of the duration of a station-to-station message for purposes of the application of rates shall begin at the moment when telephonic communication is established between the called and the calling stations. The term "station" for the purpose of this clause is defined to include a private branch exchange switchboard operator in those cases where private branch exchange systems are involved in station-to-station service.

(d) Station-to-station service may be operated as a number service, in which case the called station may be designated only by number, through A and B switchboards, or through tandem operators, etc.; or it may be operated through toll switchboards and technically known as an "AY" service, depending on the local circumstances as to operating conditions, plant conditions, and the circumstances as to directory distribution and areas; and the more economical method will be employed in each case. The choice of method of operating station-to-station service will be determined solely as an operating arrangement, not in any way affecting rates or service; except that where the number method is employed, it is required that orders be accepted stating only the telephone number of the called station.

(e) The charges for station-to-station messages shall not be "reversed," i. e., collected at the called station.

2. *Person-to-person calls.*—This service shall be defined by the following conditions:

(a) Orders will be accepted to establish communication between specified persons.

(b) The measurement of the duration of a person-to-person message for the purpose of the application of rates shall begin at the moment when communica-

tion begins with or between the particular person or persons specified in the order, provided that certain report charges will be made under the conditions specified in the clause next below, where communication may not be established.

(c) Orders for person-to-person service are accepted only under the condition that a limited charge (to be known as "report charge") will be made in the following cases where it is impossible to establish communication between particular persons:

(1) When the order is to establish communication with a particular person in a given city, telephone address unknown, and the particular person can not be secured within one hour (exclusive of any time during which "no circuits" or other cause prevent communications of the order to the distant city or exchange, or its completion).

(2) When the designated person called refuses to talk.

(3) When the report is returned that the designated person called is "out" or "out and will return at (specified time)" or "out and time of return unknown," "is absent from the city," and similar reports advising the calling subscriber of the facts ascertained when failure to complete the order is due solely to the circumstances of the called person or to fault in describing the location of the called person, and when all of the work preliminary to establishing communication with the called person is done.

(4) When communication between the designated persons can not be established because the designated person at the calling station is absent at the calling station; provided that no charge shall be made in such cases where the delay, if any, in establishing connection is greater than one hour.

(5) When the designated person at the calling station refuses to talk when the facilities for communication have been established.

3. *Appointment Calls*.—Appointment calls are person-to-person calls, the order for which provides that communication is to be arranged for to take place at a specified time.

4. *Messenger calls*.—Messenger calls are person-to-person calls requiring the use of a messenger to secure attendance of a designated person at one of the public-pay stations at the distant point.

5. *Collect calls*.—Collect calls are person-to-person calls, the charges for which are "reversed," i. e., to be collected from the subscriber of the distant station at which the call is to be completed.

II. STANDARD TOLL RATES FOR STATION-TO-STATION MESSAGES.

Effective 12.01 a. m. January 21, 1919, the following initial period rates are made standard throughout the United States for station-to-station toll messages, where the distance between the exchanges, or toll points, does not exceed 40 miles by direct air line measurement:

For distances more than—	But not more than—	Initial rate is—
<i>Miles.</i>	<i>Miles.</i>	
0	6	\$0.05
6	12	.10
12	18	.15
18	24	.20
24	32	.25
32	40	.30

The following initial period rates are made standard for station-to-station toll messages for all distances in excess of 40 miles by direct air line measurement:

For distances more than—	But not more than—	Initial rate is—
<i>Miles.</i>	<i>Miles.</i>	
40	48	\$0.35
48	56	.40

For each additional 8 miles or fraction thereof, 5 cents additional.

For the purpose of applying standard rates where the direct air line distance between points is in excess of 40 miles, distance shall be determined as the air line distance between the centers of blocks 7 miles square, within which the points of communication are located, and where the distance is in excess of 350 miles by the air line distance between the centers of sections 35 miles square.

The block and section scaling system for purposes of measuring toll rate distance between points more than 40 miles distant by direct measurement shall consist of a grid containing sections 35 miles square, each section subdivided into 25 blocks 7 miles square, so placed on a polyconic projection of a Government survey map of the United States that section lines coincide with a line drawn approximately north and south through the center of the United States and with a line at right angles thereto passing through the northwestern point of the international boundary line in the Strait of Georgia.

III. STANDARD TOLL RATES FOR OTHER CLASSES OF TOLL CALLS.

Effective 12.01 a. m. January 21, 1919, the following toll message rates are established for person-to-person calls, appointment calls, and messenger calls:

1. The initial period rates for person-to-person calls shall be approximately 25 per cent in addition to the station-to-station rates between the same points, in accordance with the schedule of computed rates for person-to-person, appointment, and messenger toll calls, attached hereto and hereby made a part of this order; but no person-to-person rate shall be less than 20 cents.

2. In those cases where person-to-person calls are not completed and a report is made or the conditions are such as described in paragraph 1, 2 (c), of this order, a report charge shall be made of approximately one-fourth the initial rate for station-to-station messages between the same points, in accordance with the schedule of computed rates for person-to-person, appointment, and messenger toll calls attached hereto and hereby made a part of this order; but no report charge shall be less than 10 cents for any one call, nor more than \$2.

3. The rates for appointment calls shall be approximately 50 per cent in addition to the rates for station-to-station messages between the same points in accordance with the schedule of computed rates for person-to-person, appointment, and messenger toll call hereto attached and hereby made a part of this order; but in the case of any appointment call order where the distant station is reached, whether the appointment be made or not, the report charge applicable in case of person-to-person calls between the same points shall be made. No appointment calls shall be accepted where the station-to-station rate is less than 15 cents.

4. The rates for messenger calls shall be the same as applied to appointment calls between the same points, plus any charges that may be required for the service of messengers. No messenger calls shall be accepted where the station-to-station rate is less than 15 cents.

IV. STANDARD TOLL NIGHT RATES.

Effective 12.01 a. m. January 21, 1919, the following reductions shall be made in the rates and charges for station-to-station messages only between the hours of 8.30 p. m. and 4.30 a. m.

1. Between the hours of 8.30 p. m. and 12 midnight the night rates for station-to-station messages shall be approximately 50 per cent less than the regular day rates, in accordance with the schedule of computed night rates attached hereto and hereby made a part of this order, but no night rate shall be less than 25 cents.

2. Between the hours of 12 midnight and 4.30 a. m. the night rates shall be approximately 75 per cent less than the established day rates, in accordance with the schedule of computed night rates attached hereto and hereby made a part of this order, but no night rate shall be less than 25 cents.

3. For the purpose of applying night rates the time of day at the point at which a station-to-station message originates shall be used.

4. Day rates only shall be employed between the hours of 4.30 a. m. and 8.30 p. m.

V. STANDARD INITIAL PERIODS, OVERTIME PERIODS, AND OVERTIME RATES.

Effective 12.01 a. m. January 21, 1919, the following initial periods, overtime periods, and overtime rates are made standard in connection with all toll calls and messages made at standard initial toll rates:

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1. Standard initial period and overtime period :

Where the initial rate is—	The initial period is—	The overtime period is—
	<i>Minutes.</i>	<i>Minutes.</i>
\$0.05	5	5
.10	5	3
.15	5	2
.20	5	2
.25	5	1
.30	3	1
.35	3	1
All other rates.	3	1

Where person-to-person calls are accepted at the above initial rates the initial period is three minutes and the overtime period is one minute.

2. Standard overtime rates are as follows:

Where the initial rate is—	The overtime rate is—
\$0.05	\$0.05
.10	.05
.15	.05
.20	.05
.25	.05
.30	.10
.35	.10

¹ And thereafter approximately one-third of the initial rate, and in no case more than one-third of the initial rate, in accordance with the Table of Computed Overtime Charges hereto attached and hereby made a part of this order.

A. S. BURLESON,
Postmaster General.

Schedule of computed overtime charges.

Where the initial rate is—	The initial period is—	The overtime rate is—	The computed charges are for—						
			4 min-utes.	5 min-utes.	6 min-utes.	7 min-utes.	8 min-utes.	9 min-utes.	10 min-utes.
	<i>Minutes.</i>								
\$0.05	5	\$0.05	\$0.05	\$0.05	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
.10	5	.05	.10	.10	.15	.15	.15	.20	.20
.15	5	.05	.15	.15	.20	.20	.25	.25	.30
¹ .20	5	.05	.20	.20	.25	.25	.30	.30	.35
¹ .25	5	.05	.25	.25	.30	.35	.40	.45	.50
.30	3	.10	.40	.50	.60	.70	.80	.90	1.00
.35	3	.10	.45	.55	.65	.75	.85	.95	1.05
.40	3	.10	.50	.60	.70	.80	.90	1.00	1.10
.45	3	.15	.60	.75	.90	1.05	1.20	1.35	1.50
.50	3	.15	.65	.80	.95	1.10	1.25	1.40	1.55
.55	3	.15	.70	.85	1.00	1.15	1.30	1.45	1.60
.60	3	.20	.80	1.00	1.20	1.40	1.60	1.80	2.00
.65	3	.20	.85	1.05	1.25	1.45	1.65	1.85	2.05
.70	3	.20	.90	1.10	1.30	1.50	1.70	1.90	2.10
.75	3	.25	1.00	1.25	1.50	1.75	2.00	2.25	2.50
.80	3	.25	1.05	1.30	1.55	1.80	2.05	2.30	2.55
.85	3	.25	1.10	1.35	1.60	1.85	2.10	2.35	2.60
.90	3	.30	1.20	1.50	1.80	2.10	2.40	2.70	3.00
.95	3	.30	1.25	1.55	1.85	2.15	2.45	2.75	3.05
² 1.00	³ 3	⁴ .30	⁵ 1.30	⁵ 1.60	⁵ 1.90	⁵ 2.20	⁵ 2.50	⁵ 2.80	⁵ 3.10

¹ Where person-to-person calls are accepted at these rates, the initial period is three minutes and the overtime period is one minute.

² And thereafter increasing in 5-cent steps.

³ And thereafter 3 minutes for all rates.

⁴ And thereafter one-third the initial rate to the nearest multiple of 5 cents, but not more than one-third the initial rate.

⁵ And thereafter in accordance with the above-applied system of computation for each higher rate and for each additional overtime period or fraction thereof.

Schedule of computed rates for person-to-person—Appointment and messenger toll calls.

When the station-to-station day rate is—	The completed person-to-person rate is—	The completed appointment and messenger rate is—	The report charge is—
\$0.05	(1)	(1)	(1)
.10	(1)	(1)	(1)
.15	\$0.20	\$0.25	\$0.10
.20	.25	.30	.10
.25	.30	.35	.10
.30	.40	.45	.10
.35	.45	.50	.10
.40	.50	.60	.10
.45	.55	.65	.15
.50	.60	.75	.15
.55	.65	.80	.15
.60	.75	.90	.15
.65	.80	.95	.20
.70	.85	1.05	.20
.75	.90	1.10	.20
.80	1.00	1.20	.20
.85	1.05	1.25	.25
.90	1.10	1.35	.25
.95	1.15	1.40	.25
1.00	1.25	1.50	.25
1.05	1.30	1.55	.30
1.10	1.35	1.65	.30
1.15	1.40	1.70	.30
1.20	1.50	1.80	.30
1.25	1.55	1.85	.35
1.30	1.60	1.95	.35
1.35	1.65	2.00	.35
1.40	1.75	2.10	.35
1.45	1.80	2.15	.40
1.50	1.85	2.25	.40
1.55	1.90	2.30	.40
1.60	2.00	2.40	.40
1.65	2.05	2.45	.45
1.70	2.10	2.55	.45
1.75	2.15	2.60	.45
1.80	2.25	2.70	.45
1.85	2.30	2.75	.50
1.90	2.35	2.85	.50
1.95	2.40	2.90	.50
* 2.00	* 2.50	* 3.00	* .50

¹ Not quoted.

² And thereafter increasing in 5-cent steps.

³ And thereafter 25 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, 25 per cent in addition to the station-to-station day rate, computed to the next lower multiple of 5 cents.

⁴ And thereafter 50 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 2, 50 per cent in addition to the station-to-station day rate, computed to the next lower multiple of 5 cents.

⁵ And thereafter one-fourth the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, one-fourth the station-to-station day rate computed to the next higher multiple of cents, but no report charge will exceed \$2.

Schedule of computed night rates for station-to-station toll messages.

When the day rate is—	The rate between 8.30 p. m. and 12 midnight is—	The rate between 12 mid-night and 4.30 a. m. is—
\$0.05	(1)	(1)
.10	(1)	(1)
.15	(1)	(1)
.20	(1)	(1)
.25	(1)	(1)
.30	\$0.25	\$0.25
.35	.25	.25
.40	.25	.25
.45	.25	.25
.50	.25	.25
.55	.30	.25
.60	.30	.25
.65	.35	.25
.70	.35	.25
.75	.40	.25
.80	.40	.25
.85	.45	.25
.90	.45	.25
.95	.50	.25
1.00	.50	.25
1.05	.55	.30
1.10	.55	.30
1.15	.60	.30
1.20	.60	.30
1.25	.65	.35
1.30	.65	.35
1.35	.70	.35
1.40	.70	.35
1.45	.75	.40
1.50	.75	.40
1.55	.80	.40
1.60	.80	.40
1.65	.85	.45
1.70	.85	.45
1.75	.90	.45
1.80	.90	.45
1.85	.95	.50
1.90	.95	.50
1.95	1.00	.50
\$2.00	\$1.00	.50

¹ Day rate.² And thereafter increasing in 5-cent steps.³ And thereafter one-half the day rate. When the day rate is not evenly divisible by 2, one-half the day rate, computed to the next higher multiple of 5 cents.⁴ And thereafter one-fourth the day rate. When the day rate is not evenly divisible by 4, one-fourth the day rate, computed to the next higher multiple of 5 cents.

(The letters and telegrams referred to by the chairman of the committee are as follows:)

[Telegram.]

JOPLIN, Mo., December 23, 1918.

Hon. JOHN A. MOON,

*Chairman House Committee on Post Office and Post Roads,**House of Representatives, Washington, D. C.:*

My company and other telephone companies, this vicinity, believe joint resolution No. 368 should be amended so that Federal control will be continued until five years from date of publication of treaty of peace.

W. H. WARREN,

Secretary and Treasurer, Home Telephone Co., Joplin.

(Confirmation.)

[Telegram.]

JEFFERSON CITY, Mo., December 23, 1918.

Hon. JOHN A. MOON,

House of Representatives, Washington, D. C.:

Believe resolution introduced by you should cover specific data as to period of negotiation for purchase of wire plants. Would suggest one year after peace has been declared.

HOUCK MCHENRY,
President Missouri Telegraph Association.

[Telegram.]

KANSAS CITY, Mo., December 24, 1918.

Hon. JOHN A. MOON,

House of Representatives, Washington, D. C.:

We desire to approve House resolution No. 368, except that part of bill providing for the termination of Government control. We urge that this be annulled so that Government control will terminate three years after the final declaration of peace.

BUTLER RICHHILL TELEPHONE CO.,
Butler, Mo.

[Telegram.]

OSAWATOMIE, KANS., December 23, 1918.

Hon. JOHN A. MOON,

House of Representatives, Washington, D. C.:

We approve telephone and telegraph bill, H. J. 268, excepting its indefiniteness as to time. Think bill should provide a definite period of Government control and provide that at termination of said period properties be either taken over by Government definitely and finally or turned back to owners completely. Bill indefinite, as it leaves owners at sea and is hindrance to development and best interests of all.

THE OSAWATOMIE TELEPHONE CO.

[Telegram.]

OSAWATOMIE, KANS.,
December 24, 1918.

Hon. JOHN A. MOON,

House of Representatives, Washington, D. C.:

We approve telephone and telegraph bill, House Joint Resolution 368, excepting its indefiniteness as to time. Think bill should provide a definite period of Government control, and provide that at termination of said period properties be either taken over by Government definitely and finally or turned back to owners completely. Bill indefinite, as it leaves owners at sea and is hindrance to development and best interests of all.

THE OSAWATOMIE TELEPHONE CO.

[Telegram.]

TOPEKA, KANS., December 23, 1918.

Hon. MR. MOON,

Chairman of House Post Office Committee,

House of Representatives, Washington, D. C.

HONORED SIR: Concerning the bill you introduced in Congress last week and known as Joint Resolution No. 368, authorizing the Postmaster General to take the telegraph and telephone lines permanently under his control, we have this report to make: I have communicated with a number of our leading independent telephone men in Kansas, and the general opinion expressed by

them was in the main favorable to the resolution, with the exception that the terms of the bill were too indefinite. They all desired a more exact statement of the time when the Government would terminate its control. We believe the time should be fixed as clearly and definitely as it was for the Government control of the railroads, and that proper and sufficient notice should be given the telegraph and telephone companies with ample time to properly arrange for the resumption of service under the changed conditions. Knowing you will give this communication from the Kansas independent telephone men due consideration and assuring you of our most hearty cooperation in every other respect,

I remain, very sincerely, yours,

L. M. KRAEGE,
Secretary the Kansas Independent Telephone Association.

[Telegram.]

BIG SPRINGS, TEX., January 11, 1919.

Hon. JOHN A. MOON,

House of Representatives, Washington, D. C.:

I desire to respectfully call to your attention Joint Resolution 368, concerning Federal control of wire systems. In its present form it is indefinite as to the return of the properties to the owners in case the Government does not decide to purchase. We would labor under no little difficulty if we did not know definitely when we were to get our property back, if ever, and could make no plans for the future of our business or ourselves. It certainly should be definitely stated one way or the other, and I will very much appreciate your consideration of this phase of the bill.

C. L. ALDERMAN.

[Telegram.]

TYLER, TEX., December 29, 1918.

Hon. JNO. A. MOON,

House of Representatives, Washington, D. C.:

As owners of telephone property we wish to call your attention to the fact that your joint resolution regarding the continuation of Federal control and the possible purchase of wire system by the Government will in its present form work a hardship upon the owners because the same is indefinite as to the return of the property in case not purchased by the Government. We beg leave to suggest that this be considered and that the period of control be made definite so that we may be in a position to make plans for the future. We thank you for consideration given this matter.

R. D. STELL,
General Manager Gulf States Telephone Co.

[Telegram.]

BARDWELL, TEX., January 3, 1919.

Hon. JNO. A. MOON, M. C.,

Washington, D. C.:

I respectfully suggest that your joint resolution 368 with respect to continued Federal control of wire systems would better conserve interest of both Government and present owners of these properties if time of termination of such control were made definite. Owners need to know definitely as a basis for future arrangements for handling the property when they may expect return of same if not purchased by the Government.

C. D. LONGSERRE,
Owner Bardwell Telephone Co.

[Telegram.]

SAN ANGELO, TEX., January 6, 1919.

Hon. JNO. A. MOON,

House of Representatives, Washington, D. C.:

In considering your joint resolution 368 relative to continuing Federal control of wire systems till otherwise ordered, urgently request that such control be extended for a definite period not exceeding two years. Will you kindly give this your careful consideration?

JOHN Y. RUST,

President San Angelo Telephone Co.

[Telegram.]

AUSTIN, TEX., December 28, 1918.

Hon. JNO. A. MOON, M. C.,

Washington, D. C.:

As an owner of telephone property I wish to respectfully call your attention to the fact that your joint resolution with respect to continuation of Federal control and possible purchase of wire systems by the Government will, in its present form, work hardship on the telephone companies, because of indefinite time for return of properties to owners if Government should not buy, in which event owners of these properties should be able to plan in advance their arrangements for taking systems back. It seems to me that if Federal control is continued then a period of 21 months concurrent with present railroad control law would be far more satisfactory to all interests, and I hope you will consider this phase of the subject.

J. B. EARLE,

President Texas Long Distance Telephone Co.

[Telegram.]

PORT ARTHUR, TEX., December 28, 1918.

Hon. J. A. MOON, M. C.,

House of Representatives, Washington, D. C.:

Regarding your resolution 368, continued Government control and possible purchase telephone properties. If Government does not purchase we respectfully suggest period of control be extended and definitely fixed for, say, one or two years. This is fair both to Government and owners, who should know when they may expect their properties returned and thus can plan intelligently.

PORT ARTHUR TELEPHONE Co.,
P. K. HIGGINS, *President.*

[Telegram.]

SHERMAN, TEX., December 27, 1918.

Hon. J. A. MOON, M. C.,

House of Representatives, Washington, D. C.:

I take liberty of calling to your attention fact that your joint resolution 368 would better protect interests on all sides of question if some certain time were set for return wire systems to their owners if Government does not buy them. Otherwise telephone owners would be greatly and perhaps harmfully inconvenienced through their inability to plan ahead for taking back property in case turned back. I respectfully suggest two years' extension of control if same is continued.

SAM H. SHUTT,

General Superintendent Texas Toll Line Co.

[Telegram.]

WACO, TEX., December 24, 1918.

Hon. J. A. MOON, M. C.,

House of Representatives, Washington, D. C.:

I respectfully suggest that your joint resolution 368 with respect to continued Federal control and possible purchase by Government of wire systems would more practically conserve interests both of Government and present owners of such properties if the time of termination of such control in event Government does not purchase was made definite. Owners need to know definitely as basis for financing and other arrangements when they may expect property to be returned if Government does not purchase. If Federal control extended, I suggest that same be for one or possibly two years.

E. C. BLOMEYER,

President Texas Telephone Co.

[Telegram.]

BROWNWOOD, TEX., January 6, 1919.

Hon. J. A. MOON, M. C.,

House of Representatives, Washington, D. C.:

Have noted your joint resolution concerning continuation of Federal control and possible purchase of wire systems by Government. Believe it to best interest of telephone industry and Government as well that your resolution state specifically the length of time Government will have control. As owners of telephone property we should know definitely when property will be returned, so that we know where we stand.

F. W. GREER,

General Manager West Texas Telephone Co.

[Telegram.]

NEW YORK, N. Y., January 11, 1919.

Hon. JOHN A. MOON,

Chairman Committee on the Post Office and Post Roads,

Washington, D. C.

In reply to yours of January 10 referring to House joint resolution 368, in my opinion two years would be the shortest time. Two years should give sufficient time and a reasonable margin for the constructive work and necessary publicity. The importance of the service to the public and the dependence of the service upon proper and continuing organization seems to demand that a permanent solution of the existing and developed imperfections of control and regulation should be brought about in the shortest possible time.

THEO N. VAIL.

[Telegram.]

GREENVILLE, OHIO, January 11, 1919.

Hon. B. F. WELTY, M. C.,

Washington, D. C.

Request Moon resolution 368 be amended to provide definite date for return to owners, say, two or three years.

CONRAD KIPP,

General Manager Greenville Home Telephone Co.

DELFOS, OHIO, January 11, 1919.

Hon. BEN. F. WELTY, M. C.,

Washington, D. C.

MY DEAR BEN: With reference to House joint resolution 368, by Mr. Moon, as one of your humble constituents I want to voice my opposition to the same.

At the time of the passage of the resolution authorizing the President to take over the telegraph and telephone lines, it was intended that this should continue only during the war. In short, it was a war measure.

If the resolution were to be amended so as to continue the present Government control for a year or two, that would not be so bad, but as I view the situation, it would be better to defeat it outright.

I am convinced that the fear which existed among the voters of the Nation that Wilson and his party were running to Government ownership of railroads, telegraphs, and other utilities had much to do with our defeat last fall.

I hope you can see your way clear to oppose this resolution.

Very truly,

JOHN F. LINDERMANN.

NEW YORK, January 7, 1919.

Hon. JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads,
Washington, D. C.

MY DEAR SIR: I note a misstatement in my letter to you dated December 30, in the last paragraph which begins near the bottom of page 15 in the typewritten copy and which begins at the bottom of page 18 of the printed copy.

That statement should read as follows:

"The amount paid out as dividends and interest in 1917 was 4.74 per cent on the actual book value of the plant, and the aggregate book value is considerably less than the aggregate of all official appraisements that have been made."

I am sending you a corrected copy of the printed form, with the correction indicated at the top of page 19.

I am very sorry that this error slipped through, as it has been repeatedly stated in our annual reports, and as it is quite important to bring out the point that official appraisals have uniformly shown a greater value in our plant than that shown on our books.

Very truly, yours,

THEO. N. VAIL.

WIRE SYSTEM—DISCUSSION OF ELECTRICAL INTELLIGENCE.

LETTER OF THEODORE N. VAIL IN RESPONSE TO REQUEST OF HON. JOHN A. MOON,
CHAIRMAN COMMITTEE ON THE POST OFFICE AND POST ROADS, HOUSE OF REPRESENTATIVES.

DECEMBER 30, 1918.

Hon. JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads,
Washington, D. C.

MY DEAR SIR: Your letter inclosing H. R. 368 and letter of the Postmaster General relating thereto requesting my views is received.

It is my assumption that the request covers my views upon the broad question of a proper solution of the problems of the electrical transmission of intelligence by any means, and under such an organization or such policy as will bring about the greatest possible extending and broadening of its usefulness under the present state of the art, and also insure the greatest possible future development.

It is admitted that the great utilities of interchange and intercommunication, which have been so largely instrumental in the great development of the economic and social world, and upon which the progress and continuity of such development depend, are suffering from the application and interpretation of existing laws concerning control and regulation, and as the proposed bill calls for some plan of organization it is also my assumption that my views should also cover some suggestions as to the underlying features of a curative solution of the question of control and regulation.

It is not my understanding that this bill is a Government ownership and operating measure, but its purpose is to give sufficient time to prepare and present to Congress a specific proposition for the reorganization on some basis which will work for efficiency and economy of all the international and intranational wire systems operated and controlled from the United States. There would seem to be no question as to the wisdom of such an attempt.

A thoroughly considered, well-thought-out solution can not be prepared under pressure or in a short time.

We know the "dons" in unmodified Government operation, and the "dons" in unrestricted private operation, and the "dons" in our present uncorrelated, uncoordinated control and regulation, and these should be the guides.

The solution involves new economic practices of which there is little or no direct experience.

It is recognized that in the interests of the public advantage the utilities should not be returned to the owners without some correction of the existing deficiencies in regulation and control.

Under the present status of Government operation and control little can be done toward the ultimate solution which must take place, which will not have to be undone when the period of control ends and the systems are again subjected to the present interpretation and application of existing laws.

It would seem as very desirable for the country that time should be given for such a solution. It would also seem, in simple justice to the owners of the existing systems, that during that period whatever is done by and with the consent of the companies interested and of the public authorities toward partial unification of the wire systems should be exempted from the application of existing laws.

My position upon Government ownership and operation has been repeatedly and unmistakably expressed.

Unmodified Government ownership and operation is no solution because of the absence of essential factors to efficient operation, such as continuity of administration and consequent lack of opportunity for the full fruition of incentive and initiative; lack of rewards both in large opportunity for promotion and such compensation as will retain those of the organization who have developed qualifications and accomplishment, against the rewards afforded in private industry.

Neither is unregulated or uncontrolled private ownership and operation a solution because of the opportunity for selfish exploitation.

Between these extremes there must be found a solution.

The great difficulty will be to settle upon a solution which will not leave opportunity for and perpetuate in some other form the same evils which now exist in the multiplicity of uncorrelated, irresponsible, complex, contradictory, and overlapping forms of control or regulation, or leave opportunity for unjudicial and biased action or selfish aggression.

There is, however, in my opinion, a possibility of a simple, complete, and satisfactory solution.

There is without doubt an opportunity for a great piece of beneficial and constructive work by combining and coordinating all the various existing utility services, or those that are complementary and supplementary, into one or more well-balanced systems, the extent of which should be determined by the nature of the service, by the extent of the service rendered, and by commercial, geographic, economic reasons, and by combining in a direct manner, and as far as possible divorced from political or partisan or class influence, the requisite power and authority of the Federal Government expressed in a mandate to equilibrate revenue, operating costs, and capital charges, with an operating organization, adapted to the requirements of the service and based on the methods which experience, enterprise, and operation in the industrial world have shown to be effective, efficient, and economical.

Government control and regulation and restrictions need the same cure that our utilities do—combination, coordination, cooperation—"one system" interdependent and interrelating, with a single or coordinated responsible control over all similar utilities and over all the factors that make for operation, for continuity, for permanence, for efficiency, and success, and, above all, there must be recognition of the fact that neither labor, management, nor capital is independent of the others, and that neither can permanently get any benefit at the sacrifice of the others, and that permanent maintenance of operating organization depends upon reasonable rewards for the actual contribution of each to the work.

ELECTRICAL TRANSMISSION OF INTELLIGENCE.

Facilities for interchange of intelligence or ideas by electrical transmission are substantially different from facilities for other interchange, in that nothing tangible is transmitted or transported; the transmission is a series of electric vibrations or interruptions, totally dissimilar to transportation of goods, letters, passengers, in which the actually tangible thing is carried in bulk or in quan-

tity and can be handled or transferred; and the vehicle or the train of vehicles in which it is carried is the nearest to a unit of transportation.

All utilities of transportation can be divided up into systems of greater or less extent. In through passenger or freight service there is a limit to direct continuous transit due to the methods and machinery and facilities of transportation. In telegraphy, the more direct and continuous the transmission, the more perfect the service; but in the telephone service direct and continuous transmission is essential to any service. In all other utilities of intercommunication the transmission or transportation must be from one point to some other point and need not be continuous, direct, or necessarily over the same system. Telephone transmission, however, must be direct and continuous; it is an actual conversation between two parties; the connection must be continuous, direct, and over the same system. This introduces an essential prerequisite to service in telephony which does not exist in any other public service.

The transmitting currents of the telegraph and telephone are similar in many of their features, but the telegraph transmits vibrations or interruptions of current which are translated into letters and written words, while the telephone transmits vibrations or partial interruptions of the current which in themselves form the spoken word.

It has developed early in the evolution of the telephone service that while there were common features in the technique, the service rendered was entirely distinct, each having its own particular field, not competitive but complementary. Long before the common use of the wire plant for both purposes was developed the advantage of a combined system of telegraph and telephone under one control was recognized.

The ideal of one wire system, universal (national), interdependent, intercommunicating, under one control, has been consistently pursued by the Bell system against the cry of monopoly and usurpation and charges of aggression and so-called competition. This ideal has been completely vindicated in that one system is now recognized as the only method for comprehensive telephone service, and is now being urged on opposing systems, instead of being opposed.

The combination of the telephone and telegraph systems, which was undertaken by the Bell system but set aside under the interpretation and the application of existing laws, demonstrated in the short time of its existence the advantages.

In 1909 it was thought that a great public benefit could be obtained from the union of the telephone and telegraph and that by gradually utilizing all wires for both purposes, and by making one plant serve for both purposes, the maintenance, the organization and, above all, the depreciation, which is very large in open-wire systems, of one plant could be saved. While the immediate utilization of one plant for both purposes would require reconstruction and rearrangement of facilities, which would be too costly and make too much disturbance, the ultimate utilization would be made in the ordinary course of maintenance and reconstruction in the course of a few years with little cost and no disturbance. It was, however, immediately possible to make every one of the 10,000,000 telephone stations day and night telegraph stations, and thus reduce the number of telegraph offices which were maintained at a loss, and to expedite and cheapen delivery of messages beyond the delivery districts or in the country; and it was also possible to introduce some new forms of cheap deferred service.

The wire system of the future will be one nation-wide system, under single control, by or over which direct connection can be established between any two places for the electrical transmission of any communication or of the spoken word; and every individual place will be the center of the system for transmission in any direction to the limit of transmission.

The science of industrial application of electricity is almost as new as the telephone. The whole telephone art had to be created, it did not exist, nor was there, as is usual in new enterprises, anything analogous to it upon which to base action and policy. It was necessary from the very beginning of the telephone development by the Bell system to maintain a research investigation experimental department. At first small and inconspicuous, but extremely alert and wide-awake, it has grown into one of the largest laboratories of the application of science to industrial development in the world, and engages the services of a large number of the most eminent scientists who are devoting themselves to the unfolding of natural laws and phenomena and their application to the art of electrical transmission of intelligence. To this branch or department is due the fact that this country leads the world in that art, and its work has

made possible a continuous reduction in the average charges per unit of service through the savings in cost of operation, equipment, construction, etc. It is estimated that the present savings over methods prevailing not many years ago, in operation and construction, amount to at least \$50,000,000 a year.

The marked development which justified the early belief in the common factors of telephonic and telegraphic evolution was the superimposing on the telephone wires simultaneous telegraph transmission, now so developed that all toll lines of any length are being or can be used for the dual purpose. Among the multitude of other improvements was the twisted-pair wire circuit, which neutralized extraneous noises induced by high-voltage electric power or light transmission and by static currents, which are so deadly and so limit the usefulness of wireless transmission; and the multiple switchboard, which made immediate connections possible in exchange service. These two have contributed more than any other two things to make exchange and long-line service popular and practicable.

The development of the utilization of plant and the search for new uses both for telephone and telegraph were continuous.

The multiplexing of the telegraph side of the telephone wire, and the phantom telephone circuit, by which a third telephonic circuit could be superimposed on every two telephone circuits, were two very important results. The studies and observations on applied telephone practice may be said to have greatly cheapened, and to have revolutionized apparatus and operating methods, each few years. The distance of transmission through aerial and underground cables was extended from a few miles to 500 miles, and now it is certain of being extended to 1,000 miles or more. This will ultimately be productive of great economy on leads carrying a large number of wires, and of great efficiency in bridging districts where there is frequent occurrence of destructive sleet and windstorms. The reduction of the size of the wire and the weight of copper required in the transmission circuits not only greatly reduced the cost of material but made it possible to use in the underground conduits cables with as high as 30 times the number of circuits for which they were originally intended. When we consider that there are over 20,000,000 miles of copper wire in use and the reduction in weight to one-half or even one-quarter of what was formerly needed, the saving can be appreciated. When we realize that the underground conduits for the telephone cables have cost over \$100,000,000, some idea of the saving in construction through increased capacity can be formed. Open-wire transmission was developed from a somewhat indifferent transmission from New York to Chicago requiring special terminals in exchanges, to commercial transmission across the continent from any exchange terminal, and at the same time it was made possible to run the long-distance circuits through the underground exchange systems and not around them, as was the practice.

Early in 1915, after several years of experimenting, research, and investigation, wireless or radio telephoning was made a practical demonstrated success. Through the courtesy and assistance of our Navy Department in giving us the use of the Arlington wireless station, and the cooperation of naval officials, the voice was transmitted by radio from Arlington, Va., to Paris and Hawaii by radio transmission, where were stationed members of the research department of the Bell system. The Secretary of the Navy, from his office, talked by wire and wireless to the commander of a war vessel off Hatteras, as did also the commandant from Mare Island, Cal., by transcontinental wire and radio. This radio has been most useful in our late war. Through the cooperation of officers of the Signal Corps and the experts of the Bell system, it has been adapted to communication between aeroplanes in the air and between them and ground stations, and it was used with great effect in locating hidden guns, in communicating the aero observations of the effect of bombardments, etc. It was also of great service in the submarine warfare. It is now possible to establish—and had it not been for the interruption caused by the war, there would have been in operation—a combination of aero and wire transmission between the land exchanges and vessels off the coast.

A method of multiplex typewriter transmission has been developed which many times augments the telegraphic capacity of the wires, and only recently the practical application of a method of multiplex telephony, the result of the work of years, has been made, by which four or more telephone circuits can be superimposed on the regular telephone circuit, and curiously enough the transmission over the superimposed circuits is superior to that over the regular circuit. It is not a valuable but an interesting scientific feature that it is

possible for two people at one end of the circuit to talk to each other via a distant point over the same circuit.

These great developments of the utilization of plant for simultaneous and greatly increased service are the latest practical applications of the work of the technical department of the Bell system. With less than half the weight of copper that was formerly used to transmit one conversation, it is now possible to transmit over one wire circuit at the same time at least five and one-half telephonic messages and a large multiple of the number of telegraph messages formerly possible. ✓

While these new uses require the most delicate balancing and adjusting and close attention, they are simple in operation. To introduce them, however, requires so much rearrangement of circuits and instruments that immediate utilization is too costly and it must be done—as it can be at small cost—in the process of reconstruction over a course of years.

It can be safely said that with the same weight of copper which was formerly required for one telegraph or one telephone circuit, ten or twelve times the telephone and telegraph use is now possible at any one time, and when we consider the total capacity which in the telephone system is unutilized at certain hours, many new services in addition which would be of great benefit to our commercial and economic and social organizations can be introduced. Distant accomplishment is usually foreshadowed by present evidence, and judging from the past, there is abundant evidence that the future accomplishments will be greater than any that have gone before.

While these results are the work of and were possible only because of this technical scientific department of the system, much has been done and much will be done by individuals working along more or less the same general lines of investigation. Such work has been contributory. Almost without exception, improvements in apparatus or operation which are considered integral or complete in themselves are really the coordinated combined results of many individuals working upon many ideas in connection with experimentation and practical application, and to obtain certain results. In fact, the art has reached a point in development where it is impossible to differentiate research and experimentation as between the separate methods of transmission, and all laboratory and experimental work in all lines must be coordinated and carried on in connection with the practical operation over a system corresponding in extent with the system upon which it is intended to be used. The work of investigation, research, and experimentation is at best expensive, but is indispensable in a new art and the cost if spread over a large system is relatively small. ✓

Whatever the status of a wire system, Government owned or private owned, it is and must be a virtual monopoly, combining both telegraph and telephone. Competition in the telephone service in its real sense can not exist. If there are two systems in any place, the choice of system is controlled by the list of subscribers connected on one or the other of the systems; beyond a small percentage, there would be no duplications. Opposition telephone service means two payments to get complete service. Each system, where there are two or more, offers an entirely different service, in that the great majority of subscribers are not the same.

Competition in the telegraph business in the true sense of the word has not existed for years. It is true that there has been competition for, or a division of, the profitable business at less than one-fifth of the public telegraph offices, serving about one-half the population in this country. There is no competition at the other four-fifths of the offices, which are maintained at a loss for the purpose of giving a public and necessary service to about 50 per cent of the population; and one of the competing companies frankly states in its published reports that it has no intention of competing for unprofitable business. If this is to be the rule, a large part of the public could not be given the essential facilities for everyday life. ✓

In every public service the revenue comes from uniform charges based on average costs. Some service must be rendered at a loss; the average profit must carry the business as a whole. When competition divides the profitable business, the average charge must be not only sufficient to carry the unprofitable business but also to pay the fixed charges and operation of a duplicate and unnecessary plant.

The public pays for competition either in cost of maintaining duplicate systems or in lack of quality or quantity and extent of service. ✓

In 1917 the Bell system of toll lines alone embraced over 350,000 miles of pole lines and 3,500,000 miles of wire, of which 1,000,000 miles were under-

ground, while the combined telegraph systems embraced less than 250,000 miles of pole lines and 2,000,000 miles of wire.

These telegraph facilities represent an investment of at least \$200,000,000 in poles and wires alone, without equipment. Depreciation and destruction of open wires and their maintenance call for at least 10 per cent a year, while interest charges are 6 per cent, totaling \$32,000,000 a year additional cost for the maintenance of a separate system, a sum equal to the gross telegraph revenue only a few years ago.

While the economy of the combined system could not be brought about immediately, as the cost of the reconstruction and rearrangement for that purpose would be very great and disturbing, it could all be brought about with small increased cost in a few years as maintenance and destruction and depreciation call for reconstruction, and substantially all existing plant can be utilized for necessary expansion.

While much of this may at first seem to be immaterial to the question under consideration, it is most pertinent. In these accomplished results and developed experience are the potent factors which must control the final determination of the solution of the problem. Based on experience of the past and foreshadowed evolution of the future, the evolution of the economic and practical operation of electrical transmission in all its forms is indisputably toward one common system embracing all methods of transmission of intelligence.

The measure of the extent and comprehensiveness of the future wire system is and always will be the telephone system.

Upon the interconnecting system of wires, necessary for telephone purposes, every other possible form of electrical wire transmission of intelligence or exchange of ideas can be superimposed with abundant room for a great expansion of new and cheaper services.

In all this development we claim for the Bell system a respect and regard for public service which has not been destroyed or handicapped by private selfish interests. The shareholders of the American Telephone & Telegraph Co. have been content with a return on their investment which in good seasons as well as bad has been sufficient, but not more than sufficient, to enable them to raise the large sums necessary to meet the public demands for enlarged public service. This return has not been materially increased, nor have any extra dividends or "plums" been divided for at least 30 years; all surplus has been put back into plant and the public have had the use of it.

There is no "water" in the securities, as there has been paid in premiums to the treasury of the American Telephone & Telegraph Co. considerably more than the par value of the stock outstanding.

The amount paid out as dividends and interest in 1917 was 4.74 per cent on the actual book value of the plant, and the aggregate book value is considerably less than the aggregate of all official appraisements that have been made. Average charges per unit of service have been continuously reduced; a very large majority get the service at much less than the average charges, and some class of service has been placed within the reach of all.

In order that there should be a nation-wide system, large cities and extensive areas—in fact, whole States—have been operated at an actual loss by the Bell system. The service and plant have been maintained at a uniform standard that transmission over the whole country might be had in every direction and between all points. Otherwise it would be impossible to give dependable local service except in certain and restricted areas and long-distance service only between the principal places, and there not through the regular exchange service. This has only been possible because from the beginning all the surplus earnings over and above the regular charges have been invested in plant, of which the public has had the use directly and indirectly without any capital charge.

Notwithstanding the great increases in wages and material, which have more than doubled costs, only in places where glaring inequalities existed has any increase in charges been made on this account, and it is expected that not more than an average of 10 per cent increase will be necessary to meet the abnormal increases in costs.

This constitutes what is in fact a reduction of at least 50 per cent in the charges for telephone service as compared with the increased charges for every other class of service and as compared with relative ability to pay.

CABLES.

Should the United States become the center of a cable system commensurate with and sufficient to fully protect its political and economic position?

Substantially all the developments of electrical transmission by open wire have reflected on submarine cable and aero electrical transmission. It is impossible at this advanced state in the art of electrical transmission to differentiate experimentation or investigation between the different methods, and many of the new devices and principles which have been developed are most far-reaching in their applicability to all systems of transmission. Submarine cable capacity for transmission has already been greatly increased, and the prospects of still greater increase are promising.

Over land lines, submarine cables, and radio it is within limits to say that electric signals can be transmitted any distance, even around the world; over land lines and aero the same may be said of the transmission of speech, but as yet the transmission of speech over submarine cables of any length has not been possible.

Submarine cable plant is the most costly plant for electrical transmission of intelligence. The coordinated operation of all cables giving more or less similar service is essential if the most effective cable service is to be had at the lowest possible cost. A certain percentage of cables are out of commission all the time and a large percentage most of the time. These interruptions of individual cables extend over long periods, at times a year or more. This makes competition wasteful and necessitates high prices for service.

If operation is coordinated, the total capacity is greater than the total capacity of the systems operated separately, and other but less direct routes can be used to cover periods of emergency.

There is on any cable system a variable load, determined largely by the difference in time and the overlapping business hours in the various countries between which the transmission takes place. This results in a large percentage of unused facilities which under unified operation could be used for circuitous transmission in an emergency or in competition with direct service, or for deferred services at cheaper rates where a little delay is immaterial.

INTERNATIONAL INTERCOMMUNICATION.

Commerce depends on facilities of intercommunication and intercourse. Without them it is impossible. With poor facilities it is speculative, uncertain, because of the time and risk involved. Quick communication reduces the capital needed and makes frequent "turnover" possible.

If the purchaser and seller at distant points can get into quick communication, business can be done on small margin. If days, weeks, or months are necessary to complete the purchase and sale the margin must be relatively large—at the expense of the producer.

Quick, cheap, abundant, dependable facilities of intercourse and transportation are necessary in the development of regular commerce. We are building the ships and ships can be transferred from one port to another as commerce demands. To keep our ships and our mercantile agents in touch with home ports and home offices we are now dependent on facilities centering on the other side of the ocean.

My efforts toward an intranational and international electric communication system are of long standing. The whole development of the Bell Telephone system from the beginning was based on comprehensive intercommunicating system by wire. When the American Telephone & Telegraph Co. bought the Western Union, its first attempt was to secure trans-Atlantic cables by laying one and leasing several. Some new and beneficial services were inaugurated, more were contemplated. It was our intention to develop this system and ultimately bring the United States into focus with the great arterial cable systems throughout the world. The combination was not then countenanced by the Government.

If the United States is to maintain commercial supremacy, or even equality, there must be established the great trade forerunners, which in these days of intense activity is a comprehensive cable system. If American commerce is to be developed, it must have better means of communication at a cost which will not handicap a large volume of business at a small profit. The days of

small business and of large profits passed with the clipper ships and indifferent mail communication.

Mail communication is by far too slow for commercial development in these days. Wireless communication is yet far from perfect, and while it has its place, and an important one, it is not probable that it will ever be dependable. The only existing method of quick communication is by the wire and cable. These facilities take time and enterprise to establish. Cable construction and laying take time, and cables can not be readily moved from an original location except by reconstruction.

Where abundant facilities exist, however, if under one control, they can oftentimes be readily and quickly rearranged and connected to suit changing conditions.

The world's system of international electric communication, largely cable, while comprehensive, abundant, and efficient, has been built up primarily on the basis of connecting the commercial world with the Old World centers, focusing these world facilities, as it were, on the Old World's centers of finance, commerce, and industry. National prestige, local interests, competitive enterprise have influenced location, extension, and combinations, so that these facilities are not in all cases arranged to be productive of the maximum possibilities of either broad efficiency or the greatest economy.

The United States is connected with this world system, but on one side as a contributing field to be reached and exploited, and not primarily as a center. This must be changed and the United States put into its relative world position, put into the focus of a world system of electrical intercommunication, as one of the most, if not the most, important center of commerce, industry, and finance, that full advantage may be taken of its position and the opportunities now existing.

We must give our commerce what it needs and what the commerce of the old countries already has. Our international wire service has become a "utility of necessity" and must be treated accordingly.

From the United States to the greater part of the world electrical intercommunication is expensive and roundabout.

While we have communication with South America, our South American electrical communication now goes through several intermediate countries, and the interchange between the eastern coasts of North America and South America has to cross either two continents or two oceans. While we have one cable between the Pacific coast of America and the Pacific coast of Asia, one cable for such a distance and such an extent must necessarily be uncertain and more or less indirect. The east coast of South America must have a direct cable to the United States entirely under control of American interests and not a foreign connection. There must be a North Pacific cable connecting the United States wire system with the Asiatic wire and cable system, and an alternate route to Europe across the eastern continent. Where our communication must necessarily pass through other countries we should have alternate routes passing through different countries.

By utilizing and unifying the operations of the existing and abundant trans-Atlantic cable facilities, direct connection can be established with every country in Europe through some immediate rearrangement, and as soon as possible some relaying, relocating, some extension of the old and the laying of some new cables.

While private property must be respected, proprietary rights should not be allowed to obstruct this solution any more than proprietary rights of any utility should prevent regulated or controlled operation. The constitutional rights in each case are identical.

While our national wire systems are wasteful in superfluous plant, our international wire systems are correspondingly as deficient, especially in the location and arrangement of plant.

To meet our national requirements, we must have a combined intranational and international electric transmission service which will place all of our great centers in quick and close and available communication with the great centers of every country with which we have developed or potential business.

The United States must be brought into the center of a world system of electrical intercommunication. Its ships and merchants must not depend upon the gracious courtesy of any other country to get direct home wire communication. If there is not, there should be an international comity which will allow this. If done thoroughly, this must be done under the aegis of governmental authority, through specially shaped legislation. Much can be done by

the present cable systems combining and operating in close connection with the land systems. To do a thorough piece of work, however, there must be considerable expenditure of capital on relocation, extension, etc., and if we are to have an independent international cable system, we must be independent of foreign cable manufacture. For our extensions and repairs, we must not be dependent upon any other nation. In an international system there would be sufficient demand to warrant the establishment of a cable manufacturing plant in the United States.

The most immediate part of the program, the part that will bring the quickest results, is the unifying and coordinating of the existing cable systems, followed as quickly as possible by such relocating as can be done at once, and by laying, as soon as possible, the east coast cable.

This country is spending thousands of millions of dollars to build ships to compete for foreign commerce and yet leaves the very "essential" to the building up of foreign commerce—quick reliable intercommunication—entirely to private initiative and to foreign enterprise. With as many tens of millions and the cooperation of the existing cable companies controlled in the United States, a system could be built up which would put the business of the United States, as it were, at the front door of every business house of the world, and while it would need Government aid at the start and until established, it will be indirectly profitable from the start and without doubt will be profitable in time.

I do not think there is any question about the wisdom of the policy, one grand system reaching to all countries with which we have relations, extending as rapidly as possible to all other countries in which potentialities exist, fostered by the Government at the start. It is to be regretted that the questions of Government ownership and of superior foreign rights have been brought into this cable question to handicap the solution of this big and most important problem, which must be settled from an American standpoint by some coordinated correlated combination of Government authority and private operation or operation founded on the best traditions of private operation free from political interference and combined in a federalized corporation.

When all this is done, working in close connection with or under the close supervision of the land system, the United States would have the most complete, comprehensive system of world intercourse and intercommunication in existence.

This can not be done directly by the Government although some Government encouragement and aid at the start will be needed. There are many points of an agreement to be reached between alien individuals and corporations, there will be much dealing with the respective governments which would be confined to the interests and questions involved if conducted by private individuals, but which might become international questions, although purely local, if the Government were directly involved.

If, however, all the advantages of the Government prestige together with the admitted advantages of private operation under Government control could be obtained, it could be done by some new organization, or by one of the old organizations as a nucleus about which to create the system—this corporation to be federalized and under Government auspices and regulation.

The attempt recently made to make an international question or raise a question as to the right of the United States Government to direct the operation of cables owned and controlled and terminating in the United States, so as to obtain the greatest efficiency in a time of abnormal demands, emphasizes the fact that the United States should have at least equal facilities to those of other countries and at least equal control over the facilities terminating in the United States.

There must be no question as to the right or the necessity of the United States to build up a commercial international wire system of which the United States is the center, instead of remaining at one side of an international system which centers in the English Channel. Nor should there be any such spectacle as an American-owned company obstructing the creation of an all-American cable system.

For what is the United States spending thousands of millions of dollars on means of transportation of American commerce if it is to have no abundant available facilities for the agents who spread that commerce and if the ships that carry it can not have a ready communication without the consent of any foreign nation?

Under the comity of nations in times of peace, citizens, mail carriers, ships, etc., have, subject to reasonable regulation, the right to land, land and to cross or pass in transit to other countries. The mails are communications of intelligence. The cable is a facility of intercourse and intercommunication—a carrier of intelligence. There should be—subject to reasonable and necessary regulations and restrictions, such as a sovereign country has the right to, and must prescribe for its own protection—the same rights as to the electrical transmission of intelligence.

In making this reply it has been my desire to present the actual conditions and salient features of electric communication and the possibilities of the future.

While some suggestions are made in this communication as to the requisite features of the future organization of these systems, no attempt has been made to set out the details of such a plan. If so requested, it would give me great pleasure to furnish your committee with more detailed suggestions as to what would in my opinion be the most practical solution.

Respectfully submitted.

THEO. N. VAIL.

UNITED STATES SENATE,
COMMITTEE ON THE CENSUS,
January 4, 1919.

MY DEAR JUDGE MOON: I inclose herewith a telegram regarding Federal control of telegraph and telephone lines, and will be pleased to have you give it careful consideration. With best wishes, I am,

Yours, very sincerely,

MORRIS SHEPPARD.

HON. JOHN A. MOON, M. C.,
Washington, D. C.

[Telegram.]

BRADWELL, TEX., *January 3, 1919—11.30 a. m.*

HON. MORRIS SHEPPARD,
Senate, Washington, D. C.:

Referring to House joint resolution 368 by Moon concerning continuation of Federal control of wire systems, I suggest that same would better conserve interests of both Government and present owners if time for termination of such control in event systems are not purchased by Government was made definite. All of the independent telephones interests of Texas who have given this matter any thought are of the same opinion and should know definitely when they may expect return of property on account of making arrangements for future management of same.

C. D. LOGBERRE,
Owner Bradwell Telephone Co.

THE PLEASANTON TELEPHONE CO.,
Pleasanton, Kans., December 26, 1918.

HON. JOHN A. MOON,
House of Representatives, Washington, D. C.

DEAR SIR: In regard to House joint resolution No. 386, commonly known as the Moon bill, which you introduced in the House of Representatives, I am interested as an owner and manager of the properties of the Pleasanton Telephone Co., of Pleasanton, Kans.

Since the Post Office Department is controlling the operation of these properties and thereby eliminating all initiative of the owners for an indefinite period, and although the department is making an effort to enter into contractual relations with the owners of these properties, these contracts can not be for a definite period, and while the war compelled the department to enter upon an adjustment of wages of the employees of the former owners, and at the same time the incomes of these properties are being adjusted, mostly down, the Government is incurring a responsibility for the future welfare of this service in which both the public and the owners are vitally interested.

The telephone service that is rendered to the business and homes of our country is of a very personal nature, more close than the postal service, and enters

into the very home life of our people, and the average person is more particular in regard to the telephone service rendered than their political relations, and I trust the actions of our Government will in no way take on the nature of political divisions.

Since this responsibility of the telephone welfare has been incurred by the Government I believe it very essential that Congress enter upon some definite plan for either purchasing these properties or of turning them back to their owners, and that whichever action is taken that the owners be notified at least one year in advance so that those who are responsible for the service will know what to look forward to.

Should there be any way in which we can cooperate with you in arriving at the proper solution, our personal friend and representative in Washington, F. B. Mackinnon, will be glad to come to you.

Yours, truly,

SAMUEL TUCKER, *Manager.*

UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION,
St. Paul, Minn., December 20, 1918.

Hon. JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads
House of Representatives, Washington, D. C.

DEAR SIR: I wish to acknowledge receipt of your letter of the 16th of December and the copy of House joint resolution 368.

I assume that I am asked for an expression of views because of my connection with the United States Independent Telephone Association as its president. Because of this connection, and in the absence of any consideration of this measure by the association members or by its board of directors, I feel that possibly any expression of opinion on my part might be understood as representing the sentiment of the association. For that reason I would much prefer to withhold any expression of opinion until such time as the association members or the board of directors may have the opportunity of discussing it fully. When this has been done I shall be pleased to convey to you such conclusions as they may direct, as well as my personal ideas, should they differ.

Very respectfully,

G. W. ROBINSON.

THE OLATHE CITIZENS' TELEPHONE CO.,
Olathe, Kans., January 6, 1919.

Hon. JOHN A. MOON,
Washington, D. C.

DEAR SIR: I notice in the daily papers, also in the daily papers, that you have introduced a resolution in Congress concerning the Government control and ownership of the telephone industries.

I feel sure that you have at heart the interests of the public and are honest in your convictions, but beg leave to ask you to carefully consider from an impartial standpoint the interests of those who have invested their money and diligently endeavored to serve the public, and at the same time make a fair return on the money invested, the same as in any other line of business.

To those of us who have fought the battles of the telephone business, which include the sleet storms in the winter and the lightning and tornado in summer, also the constant danger of loss by fire, which we are unable to insure against, it seems we should be allowed even more consideration than those who have not had so much risk, say nothing of the worry, and we earnestly ask that you take these things into account and that you at least embody in your resolution a specific time—one, two, or three years—that the Government supervise or they will purchase our properties.

Yours, very respectfully,

Per F. M. LORIMER, *Manager.*

GIRARD, KANS., December 26, 1918.

Hon. JOHN A. MOON,
Washington, D. C.

DEAR MR. MOON: We note from the newspapers that you have introduced a resolution in the House of Representatives asking for extended control over

62 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

the telephone and telegraph lines of the country in excess of the time appointed in the proclamation of the President in taking over the wire systems last summer.

Your resolution is very good, but we in the telephone field believe it could be improved if it were amended to make the period of control for a definite period of time, say for one year or two years or three years after the date of exchange of articles of peace. Some definite period of time would enable those engaged in the business to make some definite kind of a policy in handling their business during the reconstruction period.

Trusting that you will accept this suggestion for the good of the service, believe me to be,

Yours, very truly,

THE CRAWFORD TELEPHONE & TELEGRAPH CO.,
L. E. COLLS, *Treasurer*.

DEARBORN TELEPHONE CO.,
Dearborn, Mo., December 27, 1918.

MR. JOHN A. MOON,
House of Representatives, Washington, D. C.

DEAR MR. MOON: Am asking of you to give to the telephone companies a chance for a square deal in this matter by stating some specific date on which the Government will take over the telephone lines or return them to the owners. I am not complaining, nor do think any of the telephone companies have flinched in any way to do their bit in winning the war. But as we now have peace, would be glad if we could have some date on which we could expect a final settlement of some kind.

Respectfully submitted.

F. E. JEFFERS, *Manager*.

UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION,
Washington, D. C., December 26, 1918.

HON. JOHN A. MOON,
*Chairman Committee on the Post Office and Post Roads,
House of Representatives, Washington, D. C.*

SIR: Under date of December 19 you wrote me inclosing copy of House Joint Resolution No. 368, and requesting that I submit to you my views on this resolution.

The resolution as I see it involves four propositions, the last three of which have to do with Government ownership or permanent Government control of the telephone and telegraph companies. In my opinion, the question of Government ownership or permanent control is one to be decided by the people through their authorized representatives as a matter of general governmental policy.

As to the first proposition—that of extending the period of Government control—I am not in favor of an indefinite period. One of the greatest difficulties with the present situation is that the companies are in a state of uncertainty as to when the period of Government control will end. The consensus of opinion of well-informed men in the telephone industry, as I have been able to ascertain that opinion, is in favor of a definite period as against the indefinite one of the present law or as proposed in your resolution. As to what this period should be, opinions differ. Some favor five years and others one year. I believe a period between these two extremes will be satisfactory to the industry.

Very truly,

F. B. MACKINNON, *Vice President*.

HOUSE OF REPRESENTATIVES, UNITED STATES,
COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
Washington, D. C., January 4, 1919.

HON. JOHN A. MOON,
*Chairman Committee on the Post Office and Post Roads,
House of Representatives, Washington, D. C.*

MY DEAR MR. CHAIRMAN: I beg to call your attention to the inclosed letter of December 30, addressed to me by Mr. Pascal Parker, president of the Lib-

erty Telephone Co., Liberty, Mo., in my district. Mr. Parker is one of my esteemed constituents, and I am referring his letter to you for consideration as it relates to joint resolution 368, the bill of which you are the author.

Very sincerely,

J. W. ALEXANDER.

LIBERTY TELEPHONE CO.,
LIBERTY, Mo., December 30, 1918.

Hon. JOSHUA ALEXANDER,
Washington, D. C.

DEAR SIR: I understand that joint resolution No. 368 presented by Hon. J. A. Moon, will come up shortly and wish to state that our company is in favor of this bill, except we feel it is too indefinite and should be amended to cover some specific time, such as one, two, or five years after peace is signed.

Hoping you will see your way clear to support this amendment, and thanking you in advance, we remain,

Yours, very truly,

LIBERTY TELEPHONE CO.,
By PASCAL PARKER, *President.*

POSTAL TELEGRAPH-CABLE CO. OF TEXAS,
Dallas, Tex., December 23, 1918,

Hon. JOHN A. MOON,
*Chairman Committee on the Post Office and Post Roads,
House of Representatives,
Washington, D. C.*

DEAR SIR: I have your letter of December 16, with inclosures. I appreciate your giving me the opportunity to express my views on the joint resolution providing for extension of the period of Government control and possession of the telegraph and telephone systems, but I must confess at the outset that I have not had the opportunity to view this broad question from every angle and that my mind is still open on the subject.

There is one phase of it which, so far as I can learn, has never received any attention in public discussions and that is the question of continuing telegraph service to the many thousand places that are now served by the commercial telegraph companies through the railroads. There are many kinds of contracts between the telegraph companies and the railroads for handling the commercial telegraph business, but I believe most of these contracts are only a connecting line agreement. The railroad owns the telegraph line and receives all the revenue derived from commercial-telegraph service between its own stations and divides the tolls on telegrams going to points off its lines. These thousands of railroad offices are known to the public as offices of one of the telegraph companies; the signs of the telegraph company are displayed and the telegraph company's blanks are used. Now, the purchase by the Government of the commercial-telegraph lines would make it necessary for the Government to purchase the railroad-telegraph line or make some arrangement with the railroad company for the use of such wires as are necessary to handle the public-telegraph business. In the consideration of the question as a whole this may be but a detail to be worked out, but it seems to me to be an important matter. This company has a connecting-line contract with the Rock Island Railroad, but the purchase of our lines by the Government would not include the railroad telegraph, although the stations are known and advertised as offices of this company.

The introduction of this resolution at this time is proper. The Postmaster General has had extensive surveys made by the telegraph companies looking toward consolidations that would result in substantial reductions in operating expenses, but it would not pay to make the contemplated changes unless they are to be permanent or continued for a long period beyond the time of the signing of the peace treaty.

Yours, very truly,

W. L. JONES,
President and General Manager.

LIBERTY TELEPHONE CO.,
Liberty, Mo., December 28, 1918.

Hon. J. A. MOON,
Washington, D. C.

DEAR SIR: I understand that your joint bill No. 368 will come up shortly, and wish to state that our company is in favor of this bill, except we feel it is too indefinite and should be amended to cover some specific time, such as one, two, or five years after peace is signed.

Hoping you will see your way clear to support this amendment, and thanking you in advance, we remain,

Yours, very truly,

LIBERTY TELEPHONE CO.,
By PASCAL PARKER, *President.*

EMPORIA TELEPHONE CO.,
Emporia, Kans., December 28, 1918.

Hon. JOHN A. MOON,
House of Representatives, Washington, D. C.

DEAR SIR: I have just read in the press your joint resolution, introduced in Congress on December 13, in regard to wire company control. I believe your action was wise and will be commended by thoughtful people as the logical step in Government regulation.

I believe, however, that Government ownership is not the logical solution and that the period of Government control should end within one year after peace has been established. That, however, is simply my opinion. In a Republic, the majority rule, and if a majority of the people, after full investigation and mature reflection, want to take over all wires permanently they should be permitted to do so. Your resolution enables the public to act wisely at the proper time.

I am, believe me, sincerely, yours,

W. W. FINNEY, *President.*

FARMERS & MERCHANTS TELEPHONE CO.,
Odessa, Mo., December 27, 1918.

Hon. JOHN A. MOON,
Chairman Post Office Committee, Washington, D. C.:

Your introduction in Congress a few days ago of a bill providing for the authority of the Postmaster General to put the telegraph and telephone lines permanently under the control of the Government, is viewed with concern by owners of telephone properties. This indefinite extension of time of Government control set up in the minds of telephone property owners an uncertainty as to what course should be taken in regard to extensions and betterment of their plants, as well as a bad market for outstanding stocks of the various telephone enterprises. We urge that you at least fix a date on which Government control will cease and the properties turned back to the original owners, or legislation shall have been enacted authorizing the purchase of the properties by the Government.

Very respectfully, yours,

FARMERS & MERCHANTS TELEPHONE CO.,
A. L. COOPER, *Manager.*

LANSING TELEPHONE CO.,
Lansing, Kans., December 27, 1918.

Hon. J. A. MOON,
House of Representatives, Washington, D. C.

DEAR SIR: I am writing to you relative to House joint resolution 368, pertaining to Government control and ownership of telephone and telegraph properties, which was introduced by you. I believe this resolution to be a good thing if it would only make provision for settling the matter one way or the other within a definite number of years.

Yours, very truly,

S. E. PARISA.

HOME TELEPHONE Co.,
Nevada, Mo., December 23, 1918.

Hon. JOHN A. MOON,
House of Representatives, Washington, D. C.

DEAR SIR: Confirming our telegram of December 23, we desire to express our approval of House joint resolution 368, excepting as to the clause providing for the extension of Government control. We suggest that this period be made more definite by providing for the termination of Government control at the end of two years from the date of signing of the formal declaration of peace.

Yours, truly,

HOME TELEPHONE Co.

HAMILTON TELEPHONE Co., OF HAMILTON, Mo.,
Kansas City, Mo., December 26, 1918.

Hon. JOHN A. MOON,
Chairman House Post Office Committee, Washington, D. C.

DEAR SIR: The writer of this letter does not wish to assume the rôle of advisor, but only to call to your attention the importance of there being a definite time or date designated in House bill 368 as to when the wire lines are to be finally taken over by the Government. It is evident that this is imperative in fairness to those who now own said lines and who will be the most affected by the change contemplated. We are heartily in accord with the general plan of the Post Office Department and hope the matter may be adjusted in the interests of the whole people and that no legitimate interest may suffer.

Respectfully,

HAMILTON TELEPHONE Co.,
By C. H. MUNSELL,
President.

JOHNSON COUNTY HOME TELEPHONE Co.,
Warrensburg, Mo., December 24, 1918.

Hon. JOHN A. MOON,
House of Congress, Washington, D. C.

MY DEAR SIR: Information has reached us that you are to present to Congress what is known as House joint resolution 368, which has to do with Government control of telephone companies of the United States, but which fails to set any definite time in which the telephone companies might expect their properties to be returned to them.

Might we not suggest that, in all fairness to the owners of telephone property, an amendment be made to this resolution setting forth some definite date when the Government will return the telephone properties to their owners?

We are sure you will see the reasonableness of this suggestion, and we feel that we can depend on you, as well as your coworkers, to see that some such amendment is attached to this bill.

Sincerely, yours,

L. C. HENDERSON, Secretary.

OSKALOOSA TELEPHONE EXCHANGE,
Oskaloosa, Kans., December 24, 1918.

Hon. JOHN A. MOON,
House of Representatives, Washington, D. C.

DEAR SIR: Am writing you to say that I heartily approve in general your joint House bill 368, but wish to urge that same be amended, and suggest that the amendment contain some definite time for the ending of Government control. It is our idea that a period of two years from the time that the articles of peace are signed would be fair and just to all concerned.

Thanking you in advance for consideration of my suggestion, I am,
Truly, yours,

CURTIS PATRICK, Manager.

OAK GROVE HOME TELEPHONE CO.,
Oak Grove, Mo., December 26, 1918.

Hon. JOHN A. MOON,
House of Representatives, Washington, D. C.

DEAR SIR: We desire to approve of House joint resolution 368, except as to the period of Government control.

We think this period should be definite, and urged that the resolution be amended to provide for the termination of Government control at the end of two years after the formal declaration of peace.

OAK GROVE HOME TELEPHONE CO.,
W. T. McLAURINE, Owner.

CITIZENS' TELEPHONE CO.,
Higginsville, Mo., December 26, 1918.

Hon. JOHN A. MOON,
Representative in Congress, Washington, D. C.

DEAR SIR: As an operator of an independent telephone company, I beg to suggest to you an amendment to House resolution 368 relative to the continuance of the Government operation and control of telephone lines and systems throughout the United States.

Inasmuch as the operation of telephone systems are fraught with so many uncertain elements, we feel that this resolution should carry with it some definite proposition as to when these properties might be turned over to the private owners and not until "otherwise ordered by Congress," or until peace treaties have been exchanged and signed, but some definite period, say, one year after peace treaty.

In saying this to you I feel sure that I am voicing the sentiment of nearly all of the independent telephone owners in the State of Missouri, if not over the entire United States. Hoping you will give this your serious consideration, I am,

Yours, very truly,

W. R. JOURNEY,
Manager Citizens' Telephone Co.

CASS COUNTY TELEPHONE CO.,
Harrisonville, Mo., December 24, 1918.

Hon. JOHN A. MOON,
House of Representatives, Washington, D. C.

MY DEAR SIR: This is to indorse House joint resolution 368 with the following exception:

In our opinion, in fairness to owners of telephone properties, same should be amended to provide a definite time for discontinuing Government control of telephone properties, say, two years after peace is declared.

I have every reason to believe this bill would then meet with the approval of a large majority of the telephone men through the Middle West.

Thanking you for your consideration of this amendment, I am,

Yours, truly,

W. B. SCRUGGS, President.

THE CAMERON TELEPHONE CO.,
Cameron, Mo., January 1, 1919.

Hon. JOHN A. MOON,
Washington, D. C.

DEAR SIR: We notice through the press your bill (H. J. Res. 368) for the Federal ownership of telephone lines.

We have supported willingly all efforts of the Government during the war in the control of our telephone exchanges and are still doing so; but we respectfully call your attention to one point in your bill, that is, the indefinite time which you propose the Government shall keep the properties.

We would like to suggest that you set a definite date—two, three, or four years—for the return to the original owners, so we may know just what to depend.

Respectfully,

THE CAMERON TELEPHONE CO.,
S. D. THOMPSON, President.

HOUSE OF REPRESENTATIVES, UNITED STATES,
COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
Washington, D. C., January 8, 1919.

HON. JOHN A. MOON,
*Chairman Committee on Post Offices and Post Roads,
House of Representatives, Washington, D. C.*

MY DEAR SIR: I beg to call your attention to the inclosed letter received by me from Mr. S. D. Thompson, president of the Cameron Telephone Co., Cameron, Mo., and referring to H. R. 368, of which you are the author. Trusting that this letter will have your best consideration, I am,
Yours, sincerely,

J. W. ALEXANDER.

THE CAMERON TELEPHONE CO.,
Cameron, Mo., January 1, 1919.

HON. J. W. ALEXANDER,
House of Representatives, Washington, D. C.

DEAR MR. ALEXANDER: We would like to call your attention to bill (H. J. Res. 368) introduced by Hon. John A. Moon for the Federal ownership of telephone lines.

We have gladly cooperated with the Postmaster General during his control of our property, and will continue to do so; but there is one point in Mr. Moon's bill that is hardly fair to us—that is, the indefinite time set for the return of our property.

There ought to be some date set for its return, or the Government will be placing us in an unfavorable position.

Kindly do what you can for us.

Respectfully,

THE CAMERON TELEPHONE CO.,
S. D. THOMPSON, *President.*

THE OSAWATOMIE TELEPHONE CO.,
Osawatomie, Kans., December 23, 1918.

HON. JOHN A. MOON,
*House of Representatives,
Washington, D. C.*

DEAR SIR: Referring to your bill providing for the permanent taking over of telephone and telegraph lines by the Government, and confirming our night letter telegram of even date.

We are in favor of and approve the above bill, excepting the provision that it shall be effective "until otherwise ordered by Congress." We believe that some definite time should be fixed for the present Government control to terminate, and that at the termination of such period the properties should be taken over definitely and finally by the Government, or they should then be turned back to the owners.

The indefinite character of the bill as it is, puts the owners of these properties "up in the air," so to speak; places them in a position of not knowing what to do or what to expect, and, we believe, will if so enacted, prove a serious menace to the proper development of the different systems, and to best interests of the lines and their patrons.

We hope you can see your way to make the indicated change in your bill.

Yours, very truly,

THE OSAWATOMIE TELEPHONE CO.,
By T. L. YOUMANS,
Manager.

PLATTE COUNTY TELEPHONE CO.,
Platte City, Mo., December 26, 1918.

Representative J. A. MOON,
Washington, D. C.

DEAR SIR: Am writing you in regard to House joint resolution 38. We approve of the bill except Government control and would like it amended so the Government could control it for one year from peace terms.

68 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

We think it would be unfair to the company to turn them back without giving them time to adjust ourselves to the new conditions.

Respectfully,

PLATTE COUNTY TELEPHONE CO.,
By J. B. HEAD,
Manager.

THE WESTERN UNION TELEGRAPH CO.,
NEW YORK, January 2, 1919.

Hon. JOHN A. MOON,
*Chairman Committee on the Post Office and Post Roads,
House of Representatives, Washington, D. C.*

MY DEAR MR. CHAIRMAN: We understand the primary object of the resolution referred to in your letter of December 16 to be an extension of the period of Government control of the telegraph, telephone, and cable systems.

With this extension of time we are in agreement, as we are with the broad principles of integrating and consolidating the wire systems which are dealt with in the Postmaster General's letter of December 16 addressed to you, but we dissent from the principles of Government ownership contained in that letter, and we are prepared to appear before your committee or to give in writing our reasons for such opposition. Without unduly laboring the intent of the proposed resolution, we venture to say that the very purpose of that bill is defeated if its object is confused by the disputatious features of Government ownership. We have been favored by a copy of Mr. Vail's treatise on the broad questions of the problem of electrical transmission of intelligence and the collateral questions of extending the usefulness of such wire systems, and we have no hesitation in saying that we are in accord with the principles of combining the wire systems under one control.

Our experience of five years of operation under the control of the American Telephone & Telegraph Co. serves to confirm the practical benefits that accrue to the public by joint operation, and we believe that it was a step backward to separate the Bell Telephone System from the Western Union Telegraph Co. Under the continued operation of the Postmaster General he can, we believe, if given a reasonable time, present a well-rounded plan that will be of great benefit to the commercial and social life of the United States. Mr. Vail has dealt with these benefits so ably and so completely that there is no need to repeat his arguments. We desire to suggest, however, that the best way to correct the misapprehension that now exists in the mind of the public concerning the proposed resolution would be to amend the bill, making it clear that its sole object is an extension of the time of Government control for the purpose of laying before Congress within a reasonable time a plan for the combined operation of the land-line systems of the United States. Such an extension of time is a prime requisite in order to gather data and work out many of the improvements which the Postmaster General has in mind. The task is a heavy one and can not be adequately dealt with in the few remaining months between January 1, 1919, and the proclamation of peace.

Very truly, yours.

NEWCOMB CARLTON, *President.*

POSTAL TELEGRAPH-CABLE CO.,
OFFICE OF THE PRESIDENT,
New York, January 3, 1919.

Hon. JOHN A. MOON,
*Chairman Committee on the Post Office and Post Roads,
House of Representatives, Washington, D. C.*

DEAR SIR: Your letter of December 16 with enclosures would have received my attention before this, had it not been that I was having put into pamphlet form, an article which I wrote for the New York Times, and which appeared in its issue of December 22, which embodies my views on the subject of Government ownership, and I enclose such reprint herewith. As I would judge that the proposed joint resolution now under consideration by your committee has Government ownership of the telegraph and telephones for its ultimate object, I think that the information contained in my article gives ample reasons why the resolution should not be reported.

Regarding the proposition contained in the resolution that the telephone and telegraph systems be retained under the control of the Postal System until otherwise ordered by Congress, I would respectfully submit that now that the purposes for which Congress enacted the joint resolution of July 16, 1918, namely, for the "national security or defense," have ceased to exist, that the telegraph and telephone lines should be immediately returned to their owners, particularly as the Government at least in the case of the operation of the lines of the Western Union Telegraph Co. will probably show a loss of several millions of dollars for the year ending July 31, 1919, under the award of compensation made by the Postmaster General to the Western Union Telegraph Co. On November 11, 1918, in a letter to Postmaster General Burleson, I suggested that he return the telegraph lines of both companies to the owners, under the authority given him in the President's proclamation of July 22, 1918, and that in such an event the Postal Telegraph-Cable Co. would be willing to waive any claim for compensation and accept what the lines have actually earned since the beginning of Federal control, and I now repeat that offer.

I am, yours very truly,

CLARENCE H. MACKAY,
President.

SHOULD THE GOVERNMENT OWN THE TELEGRAPHS?

[By Clarence H. Mackay, president Postal Telegraph-Cable Co. Reprinted from the New Times, Dec. 22, 1918.]

An article by the Postmaster General, Mr. Burleson, in the American Review of Reviews for December, 1918, strongly advocating Government ownership and operation of telegraphs in accordance with his recommendation in his annual reports in the past as Postmaster General, raises the question very sharply, now that the Postmaster General has actually seized the telegraph lines under the war power of the Government, even though he has to return them when the treaty of peace is signed. Mr. Burleson's argument is cheapness of rates; any deficit to be paid by taxation. Is that argument sound?

USE OF TELEGRAPH LIMITED.

The telegraph differs from every other public utility in that the telegraph is not used by the great majority of people. Farmers use it very rarely. The laboring classes use it little, if at all. The clerical classes have little occasion to use it, and even the social use of the telegraph is negligible. One of the great telegraph companies states that only 3 or 4 per cent of its entire telegraph business is from these classes. Over 70 per cent of the entire telegraph business of the United States originates in 40 cities, these being the large commercial cities of the country, the population of which represents 20 per cent of the total population of the country. The fact is that the telegraph is a commercial agent almost exclusively, and its expense is a part of the cost of the business of the banker, broker, manufacturing, and mercantile classes. Hence any attempt to give them cheap telegraph service at the expense of the taxpayer is unfair and discriminatory.

Post-office locations are selected with a view to serving the whole population of each city, town, and locality, and in most cases are not located to serve that part of the public that uses the telegraph in its business; and Mr. Burleson's idea that the public must come to the post office to transact their telegraph business, no matter where those offices are located, will not appeal to those who in the rush hours of the day must conserve their time and the time of their employees.

The banker, broker, manufacturer, or merchant wishes quick and accurate telegraph service, and does not want slow telegraph service or inaccurate service. He is willing to pay a fair price for his telegrams, and he considers the present telegraph rates as fair. He does not wish or expect to get cheap telegraph service at the expense of speed and accuracy, and especially so to get this cheap service at the expense of the taxpayer. He is not interested in this movement for Government ownership and operation. Neither is the taxpayer in its favor, nor are the great mass of people who do not the telegraph at all and would not use it even if the charges were less. Hence I see no occasion for the Government interfering with the present competitive system.

OUR TELEGRAPH RATES CHEAPEST IN THE WORLD.

In Europe the Governments own and operate the telegraph systems, but instead of their telegraph rates being cheaper than the American rates they are higher, to say nothing of the well-known inefficiency of the telegraph service throughout Europe. I have yet to learn of a business man who has traveled abroad and who does not hold this view. Telegraph rates in the United States are the cheapest in the world. This is not generally understood, because the published rates abroad seems cheap until one ascertains that every word in the address, signature, etc., is charged for, as well as every word in the body of the message. In the United States only the words in the body of the message are charged for. Now, in the United States there are 14 words, on the average, in the address, signature, etc., in a telegram, in addition to the words in the body of the message. The following table gives the comparative toll on telegrams of equal length:

Average charge for domestic or intrastate telegram containing 10 test words.

France.....	\$0. 29
Norway.....	. 29
Sweden.....	. 25
Great Britain.....	. 30
Germany.....	. 30
Italy.....	. 29
Denmark.....	. 30
Austria.....	. 29
United States.....	. 25- 30

The above rate at 25 cents or 30 cents for telegrams in the United States is between two points in the same State, the distance being about the same as between two points in any foreign country. When we come to telegrams in the United States for longer distances the only comparison that can be made with European rates is telegrams in Europe between different countries, on account of the long distances traveled by the average long-distance telegram in the United States; for instance, from Paris to Vienna is about 650 miles, and the cost for a 10-word message, plus the address and signature charged for, is 96 cents, as against only 40 cents, address and signature free, for a similar distance in the United States. From Stockholm to Paris (1,000 miles) the rate for a 10-word message, plus the address and signature charged for, is \$1.20. From New York to Chicago, about the same distance, the rate for a 10-word message, address and signature free, is 50 cents.

CONVENIENCES DENIED IN EUROPE.

In addition to the above there are other advantages of the American system. The American telegraph companies send messengers to collect and deliver telegrams and maintain call-box systems. The American companies keep open accounts for their customers and keep offices in hotels, apartment houses, and competitive offices in all parts of large cities. The European Governments do nothing of this kind. There the telegram must be taken to the telegraph office. The sender can not run up an account; he must prepay the charge, and may have to go a long distance before finding a main or branch office.

American business supremacy is based upon the dispatch and facility with which things are accomplished. The American business man will never consent to the substitution of European methods of handling telegraph correspondence, as now proposed by the American Postmaster General. Here the business man prepares a batch of telegrams and cablegrams, rings for a company's messenger by means of a convenient call box installed free of charge by the company, and dismisses them from his mind. Competition insures their prompt transmission under a charge account. In Europe the business man must first reckon the cost of his message, send one of his employees to a post office with them or go himself, the postal clerk calculates the charge—when he finds time—you purchase stamps and affix them yourself, hand messages back to the postal clerk, and trust to Providence that they will reach their destination in an intelligible manner. Complaints are met with a shrug of the shoulders.

The National Association of Public Service and Railroad Commissioners of the various States, at a convention held in San Francisco October 12, 1915, received a report of its committee on telephone and telegraph rates and service containing the following:

"As far as this committee is informed, there seems to be no complaint on the part of the public as to the service and rates of telegraph companies."

CHEAPER RATES WOULD NOT INCREASE USE.

Mr. Burleson thinks that cheap telegrams would increase their use by the great mass of the people. He gives no reason for thinking so. Nobody uses the telegraphs for transmitting communications unless those communications are more or less urgent, and a cheap telegraph service would not appeal to the great mass of people, because their communications are not of an urgent nature. They probably would not use the telegraphs to any greater extent at the 15-cent rate than they do now at the 25-cent rate. The telephone has displaced the local use of the telegraph; in other words, has displaced telegrams between towns not far distant.

The telegraph, in the course of trade, and by the competition of the telephone, has become more or less restricted to the use of the banker, broker, manufacturer, and merchant in carrying on commercial transactions, and they do not want the telegraph service injured by cheapness, slowness, or inaccuracy. The great mass of the public are not interested at all in the subject, excepting, of course, that they do not wish to have their taxes increased. Is the taxpayer to be ignored?

BRITISH GOVERNMENT FINANCIAL LOSS.

In Great Britain some 40 years ago the British Government bought the telegraphs and paid about \$50,000,000 for them. For two years, namely, 1870 and 1871, the Government made a small profit after charging interest on the debentures issued for the purchase, but since that time there has been an annual deficit after providing interest. In a speech in the House of Commons on April 30, 1914, Postmaster General Hobhouse, of Great Britain, said that within the last 40 years the telegraph expenditures of the British Government exceeded the telegraph receipts by \$110,000,000, not including interest on the original purchase money nor interest on the annual losses, nor any provision for amortization. If these were included the loss would have been \$200,000,000. The annual loss is shown by the following table:

	Receipts.	Actual operating expenses.	Operating loss.	Total annual loss. ¹
Year ending Mar. 31—				
1908.....	\$15,516,805	\$17,542,840	\$2,026,035	\$4,847,423
1909.....	15,492,360	18,361,270	2,869,010	5,233,785
1910.....	15,827,745	17,995,390	2,167,645	5,246,065
1911.....	15,880,035	18,478,075	2,648,040	5,933,365
1912.....	15,747,420	18,786,840	3,039,420	5,340,740
1913.....	15,881,635	17,620,250	1,738,615	5,876,735
1914.....	15,591,080	17,545,050	1,953,970	6,058,710
1915.....	17,004,770	18,570,900	1,476,220	6,164,775

¹ Including interest paid and fresh money expended.

As late as February 21, 1916, a committee appointed by the British Government to look into the question of retrenchment in the public expenditure, reported on the Government-owned telegraphs as follows:

"The history of the telegraphs is most unsatisfactory. They were taken over in 1870 at a cost (including capital expenditures on extensions) of £10,129,687 (\$50,648,435) in the anticipation that they would yield a profit to the State. After the second year of post-office management the profit failed to cover interest on the capital outlay. Year by year the financial position has grown worse. In recent years the loss upon working has not been less than £1,000,000 (\$5,000,000) a year, and this loss includes nothing for interest due to the State upon the aggregate losses of previous years."

If the British Government had left the telegraphs in the hands of private individuals, the rates would have been just as reasonable as now and the Government would have avoided the loss of not only about \$200,000,000, but also of the taxes which it would have been receiving from the private companies, and the interest on both of these sums, and the public would have been receiving a much improved service.

Maj. W. A. J. O'Meara, formerly engineer in chief of the British post-office telegraphs, in referring to the question of Government ownership of telegraphs, writes as follows:

"Since the outbreak of the war the public has been brought into contact with Government departments at many more points than was previously the case; the result, judging by the altitude of the commercial community, seems to have been to strengthen, rather than to weaken, its opposition to governmental control of matters of vital interest to the industries and commerce of the country—in this category cable communications naturally fall."

OVERHEAD CHARGES NEGLIGIBLE QUANTITY.

Mr. Burleson states that at present the public pay overhead charges of the two telegraph companies, and also dividends on their capital stock. As to the dividends, they are reasonable, and the Government would have to pay the interest on the purchase price, and this would be a substitute for dividends. As to the overhead charges, the question at once arises whether the overhead charges of the two companies would compare for an instant with the increased operating expense if the Government should undertake the operation. The so-called overhead expenses referred to by Mr. Burleson is the expense of supervision over the operations of a telegraph company, and this expense in the case of one of the largest telegraph companies is only about 2 per cent of its receipts. Competent supervision by experienced managers whose salaries go to make up the overhead expense is more than offset by the economies offered by them in the cost of handling the traffic. No one who is familiar with the results of Government operation of anything, will doubt for a moment that the overhead charges of the present two telegraph companies would be a drop of water as compared with the flood of increased operating expenses if the Government ever acquired and operated the telegraph lines.

Furthermore, it is a well known fact that the lines of the two telegraph companies are filled to capacity during the business hours of the day, and that the trunk lines are well occupied during the night, so that this disposes of any question of duplication of facilities.

COMPETITION VERSUS MONOPOLY.

After all, the main question is whether competition in telegraph service is wanted or not. Government ownership and operation means a monopoly. Continuation of the present two telegraph companies means competition. Competition means keen rivalry in service. It means efficiency. It means constant improvement of equipment. It means a greater desire to please, and more courteous treatment of the public.

If the American people prefer to take the chances of inefficient Government telegraph service and the chances of getting a lower telegraph rate, to be made up largely by taxation, and to take the chances of the telegraph systems being turned into a political machine for the benefit of the party which may happen to be in power, then Government ownership and operation of telegraphs will come. If, on the other hand, the public come to realize that the telegraph service differs from every other kind of public utility, in that telegraph service is a commercial instrument practically for commerce alone and is not used and would not be used, even under Government ownership, by the great mass of the people, and that any reduction in telegraph rates would be followed by taxation to make up the deficiency, and that the telegraph systems would certainly become political machines, and that the service itself would inevitably deteriorate in speed and accuracy by the Government management, then there is little probability of Mr. Burleson's idea being adopted by the American

DANGERS OF POLITICAL CONTROL.

The American public are keenly suspicious of political influences controlling the wires for partisan purposes, and one of the most disastrous things that could threaten our free institutions, and which would aim at the very foundations of the Government itself, would be to allow the channels of communication, whether telegraph, telephone, or cable, to be brought under political control. Without a free telegraph you can not have a free press, because the telegraph is the feeder of the press. Any proposal, therefore, that the Government take over the telegraphs might just as well embody a proposal to have the press controlled by the Government.

Where there are two separate and distinct companies, with absolutely no union of interest, fiercely competing for the telegraph business of the country,

this danger of political control is removed, and thus is far superior and far more desirable from the standpoint of the national welfare than a Government-owned telegraph system under the domination of a political administration.

It is not such a far cry back to 1884, when the result of the contest between Cleveland and Blaine hung upon the close vote in New York, and the belief that the returns were held up by the Western Union Telegraph Co. nearly precipitated a riot in New York. A similar situation might have arisen in the last presidential election, which was not decided for several days, had the telegraphs been in the hands of either a Government or a private monopoly.

One of the most potent examples of the danger of Government ownership is Germany. The German Government either owned or controlled all the agencies and avenues of intelligence which entered most into the daily life of the people. The result was a condition where the people were gradually brought under the control of an oligarchy which held the life and destiny of the nation in its hands to do with as it chose. If we do not want a repetition of such a condition in the United States we will avoid Government ownership, especially of the lines of communication.

STATEMENT OF MR. H. D. CRITCHFIELD, OF CHICAGO, ILL. ✓

Mr. CRITCHFIELD. Mr. Chairman, I beg the indulgence of your committee while making a brief statement.

I represent one of five independent telephone manufacturing concerns. I speak not alone for my company (Automatic Electric Co. of Chicago), but rather for the telephone industry as a whole. The whole telephone industry of the country is suffering from uncertainty. There are approximately 10,000,000 telephones in the country, and the normal growth is from 7 to 8 per cent annually. This normal growth has not occurred in the past two years for reasons with which you are all familiar.

When the Government took control of the lines August 1, this state of inaction existed and has not been altered since. There is an accumulation of work to be done amounting to approximately one and one-half million telephones, plus the normal growth for the coming year in order to meet the public demand for telephone service. This can not be done to any appreciable degree until the status of the telephone industry and the period of governmental control is definitely fixed. What both the industry and the telephone-using public require is that the period of governmental control, or rather the time at which the wires are to be returned to their owners shall be definitely fixed, and that with the greatest haste consistent with a proper determination of the question.

Mr. MADDEN. You would not consider it was incumbent upon Members of Congress who sit on a great committee like this to decide a question without information?

Mr. CRITCHFIELD. I am not asking you to do that, but I am insisting with all my heart upon action, and the elimination of delay, so far as practicable by your committee, in fixing the period of control. Whether that be one year, three years, or five years, or whether it terminated to-morrow is not of so much moment as that some definite date be fixed when such control shall terminate or be made permanent. When this has been fixed by Congress, the industry will be in position to finance its normal extensions and replacements; but until this is done it will be impracticable to make any adequate development.

I have no authority to speak for the other manufacturing companies, but I do speak for my own, and what I say with reference to my company is, I believe, generally applicable to the other independent telephone manufacturing concerns. That is, that since the 1st of August the Automatic Electric Co. has not taken an order for the

replacement of an existing telephone system in the United States. I think this is substantially true of the other independent manufacturers. If there is any doubt in the minds of the committee as to this, I suggest that you call other manufacturing representatives. There is some relatively unimportant small work being done and there is some considerable volume of foreign business.

I have mentioned the manufacturers, not from their own standpoint alone, but as being the true index of the stagnation in the industry. It is the business of the manufacturers to keep in touch with what is being done, and they do, and are therefore in position to give an accurate statement as to conditions.

Generally speaking, telephone service in most cities of the country is considerably short of meeting the public requirements and will so continue, in my opinion, until Congress has fixed a period of Government control and has designated a definite date.

Mr. RAMSEYER. What other manufacturing companies are there outside of the independent?

Mr. CRITCHFIELD. The Western Electric.

Mr. RAMSEYER. What kind of a company is that?

Mr. CRITCHFIELD. That is a manufacturing concern for the Bell system. The American Telephone & Telegraph Co. owns a substantial majority, in many cases practically all, of the stock of the so-called constituent companies, among which is the Western Electric Co., whose stock is owned by the American Telephone & Telegraph Co.

Mr. STEENERSON. The same as the Bell system?

Mr. CRITCHFIELD. The Bell system is all one, for all practical purposes?

Mr. STEENERSON. What telephone company owns yours?

Mr. CRITCHFIELD. None. Ours is a small company, privately owned, with \$5,200,000 capital stock and with 1,200 employees.

Mr. MADDEN. You are a manufacturing concern?

Mr. CRITCHFIELD. A manufacturing concern; but we are in touch with the industry; we have our fingers on the pulse of the operating companies.

Mr. STEENERSON. If you ever try to sell anything to the Post Office Department, I think you would be satisfied to let us consider this.

Mr. CRITCHFIELD. I am not asking for anything except you bear in mind that both the public and the industry is suffering.

Mr. RAMSEYER. You want Congress to say they are going to return the properties in two or three or five years?

Mr. CRITCHFIELD. To fix a time.

Mr. STEENERSON. There is a time fixed now—when peace is declared.

Mr. CRITCHFIELD. What date will that fall on?

Mr. STEENERSON. We have not fixed that date.

Mr. CRITCHFIELD. Of course you haven't, and therefore you can not say that there is a time fixed now. What the industry needs is definiteness, and definiteness is what I am urging.

Without objection we will adjourn until Tuesday, subject to prior call by the chairman.

(Thereupon, at 12.55 o'clock p. m., the committee adjourned until Tuesday, January 21, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE TELE- GRAPH AND TELEPHONE SYSTEMS

HEARINGS

ON

H. J. RES. 368

BEFORE

**THE COMMITTEE ON
THE POST OFFICE AND POST ROADS**

HOUSE OF REPRESENTATIVES

SIXTY-FIFTH CONGRESS

THIRD SESSION

JANUARY 21 AND 22, 1919

PART 2



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

COMMITTEE ON THE POST OFFICE AND POST ROADS.

HOUSE OF REPRESENTATIVES, SIXTY-FIFTH CONGRESS.

JOHN A. MOON, Tennessee, *Chairman*.

THOMAS M. BELL, Georgia.	HALVOR STEENERSON, Minnesota.
ARTHUR B. ROUSE, Kentucky.	MARTIN B. MADDEN, Illinois.
FRED L. BLACKMON, Alabama.	WILLIAM W. GRIEST, Pennsylvania.
EDWARD E. HOLLAND, Virginia.	IRA C. COPLEY, Illinois.
PETER F. TAGUE, Massachusetts.	CHARLES M. HAMILTON, New York.
EUGENE BLACK, Texas.	CALVIN DE WITT PAIGE, Massachusetts.
WILLIAM A. AYRES, Kansas.	HARRY C. WOODYARD, West Virginia.
CHARLES H. RANDALL, California.	C. WILLIAM RAMSEYER, Iowa.
BRUCE F. STERLING, Pennsylvania.	ROBERT D. HEATON, Pennsylvania.
SAMUEL W. BEAKES, Michigan.	CHARLES A. SULZER, Alaska.
DANIEL C. OLIVER, New York.	

ISHAM P. BYROM, *Clerk*.

CHARLES E. BRUCE, *Assistant Clerk*.

GOVERNMENT CONTROL OF THE TELEGRAPH AND TELEPHONE SYSTEMS.

COMMITTEE ON THE POST OFFICE AND POST ROADS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, January 21, 1919.

The committee met at 10.30 o'clock a. m., Hon. John A. Moon (chairman), presiding.

STATEMENT OF MR. CHARLES E. ELMQUIST, REPRESENTING NATIONAL ASSOCIATION OF RAILWAY AND UTILITY COMMISSIONERS.

The CHAIRMAN. Give your name to the stenographer and state who you represent.

Mr. ELMQUIST. Charles E. Elmquist, representing the National Association of Railway and Utility Commissioners. My office is at 724 Eighteenth Street NW.

Mr. MADDEN. What is the object of the National Association?

Mr. ELMQUIST. The National Association represents an organization of State commissioners from all of the States in the Union, with one exception, that of Delaware. All but five of the States of the Union have jurisdiction over the telephone rates and service.

The CHAIRMAN. Is this a telephone or telegraph company you represent?

Mr. ELMQUIST. I am representing the National Association of Railway and Utility Commissioners.

The CHAIRMAN. What have they to do with this thing?

Mr. ELMQUIST. As I have just stated, all but five of the States in the Union have jurisdiction over the rates and service of the telephone companies. They have organized expert departments of skilled men who understand not only the operating but the technical side of the telephone business. In those States the laws provide that the rate schedules, rules, and regulations—

The CHAIRMAN. The reason I ask the question is just like you would ask a question of a man who comes up here, if he was a telephone operator or what, you want to ascertain what interest he has in it.

Mr. STEENERSON. I thought he stated at the start he represents an association of State commissioners.

The CHAIRMAN. What I was trying to get at was this: What interest have these people in this matter outside of their local retention of their positions?

Mr. STEENERSON. If the chairman will permit, so far as I know—in Minnesota, anyway, and most of the other States—these commissions which form this association have jurisdiction over telephone

rates, as he has just stated; they regulate the rates in those States which are now being interfered with by the Post Office Department. He represents the public and not any private interest.

The CHAIRMAN. If we take the testimony of any witness, his testimony is very much affected as to credibility by the interest he has in it. Now, I see very clearly the interest of these gentlemen who belong to these commissions. They are antagonistic, of course, to the Federal Government; they have a State proposition where they propose to retain such jurisdiction so as to bolster up and retain their offices.

Mr. STEENERSON. I wish to protest. Mr. Chairman, I do not see where there is any question of credibility with any of these witnesses; nobody questioned the witnesses here on behalf of the Federal Government.

The CHAIRMAN. Nobody questions his truth or veracity, or anything of that sort. The point is anybody knows when a witness testifies, those who take the statements must know what interest he has. If this gentleman is a member of an association of State utility commissions, then his interests, of course, are against Federal control. That is all we want to know about it.

(After discussion by the committee.)

Mr. RAMSEYER. You live here?

Mr. ELMQUIST. I have been here for the last 14 months representing all the State commissions in the physical valuation work.

Mr. AYRES. I understood you to say all of the States with the exception of five had jurisdiction over telephone lines?

Mr. ELMQUIST. Yes, sir.

Mr. AYRES. Will you state those five?

Mr. ELMQUIST. I will supply the information; it will just take me a moment's time to supply it. Before proceeding with my statement, I want to elaborate for a moment one of the statements of your chairman. He intimated that the commissioners were here in a selfish interest, simply seeking to retain their positions.

The CHAIRMAN. I did not intimate that they were; I wanted to know whether you were or not. There was no intimation about it; I wanted to know the fact.

Mr. ELMQUIST. In view of the fact the suggestion has been made, I want to clear that statement up. All of the States of the Union, with one exception, have regulating commissions; they control the service and rates of the railroads, the express companies, the telephone companies, the water and electric companies, and the other utilities. Whether the State commissions are to control the service and the rates of the telephone companies or not does not affect the interest of a single State commissioner in the United States. It may vitally affect the interest of the public, however, if you deprive the State commissioners and their organizations of the control which they have exercised over the rates and the service of these telephone companies.

The CHAIRMAN. Well, on that I will ask you some questions a little later.

Mr. ELMQUIST. Very well, sir. The remarks that I had to make are in connection with this resolution. We had a convention in Washington on the 12th to the 14th of November of this year. That convention was represented by the commissioners from practically all

of the States of the Union. At that time the convention adopted the following resolution, which I wish to read into the record:

IN RE FEDERAL CONTROL OF TELEPHONE AND TELEGRAPH LINES.

Whereas it is apparent that the ends sought to be attained by Federal control of telephone and telegraph lines as a war measure have already been satisfied as far as is possible, and it is not perceivable that under existing conditions it is desirable that further Government control be exercised pending the return of such properties to State control; and

Whereas during the short period of such control and operation by the Federal Government there has been practically no interference or change in the corporate organization, management, or properties of said telephone and telegraph companies; and

Whereas pending the natural termination of such Federal control the State commissions are embarrassed by the assumption by the Postmaster General of exclusive control over rates: Therefore be it

Resolved, That this association does respectfully recommend to the Postmaster General that the Federal control of the telephone and telegraph lines cease as soon as practicable and the military necessity therefor shall have ended.

When I ascertained from the public press that there would be a hearing upon this Moon resolution to-day I sent the following telegram to all of the State commissioners, dated January 17, 1919:

State commissions may be heard before House Committee on Post Office and Post Roads Tuesday, January 21, on Moon joint resolution 368 extending period Government control or purchase of wire systems after treaty of peace. See my bulletin 19. If desired, I will appear and express your position with reference to extending control indefinitely or for certain period or for prompt return. Please advise by wire.

CHARLES E. ELMQUIST.

I now desire to read into the record the telegrams which I have received in response to that wire:

ALBANY, N. Y., *January 20, 1919.*

Concerning hearing to-morrow, suggest your appearance should be for the national association as an organization and not for the commissions as individuals. As States, you already have our views expressed by resolution adopted at the annual meeting.

That telegram is from the Public Service Commission of the State of New York, the second district, signed by Charles B. Hill, chairman.

Mr. AYRES. You say for the second district. Are there more than one utilities district?

Mr. ELMQUIST. There are two districts in New York. The first district simply has control of conditions in New York City. In Greater New York the second district has control of the other parts of the State.

JACKSON, MISS., *January 20, 1919.*

Your wires 17th and 18th. We favor prompt return of wire systems to owners. Be glad have you so express to House committee. We will be represented at conference of commissioners on 24th.

The CHAIRMAN. Who is that, now, the Mississippi Railway Commission?

Mr. ELMQUIST. They are the railway commissioners, upon whom the law places the responsibility of investigating rates and service of those utilities.

The CHAIRMAN. You have a commission in each State—in nearly all of the States?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. And it is those people that you represent?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. And that utility commission of a State is giving this evidence through you?

Mr. ELMQUIST. Yes, sir.

Mr. AYRES. In some of the States these commissioners are elected and in some they are appointed by the governor, are they not?

Mr. ELMQUIST. Yes, sir.

Mr. AYERS. Have you an idea of about how many States elect their commissioners?

Mr. ELMQUIST. I think there are 14.

Mr. AYRES. Fourteen elect and the balance of them appoint?

Mr. ELMQUIST. Yes, sir.

COLUMBIA, S. C., January 18, 1918.

Your wire 17th: This commission will be glad if you will represent them advocating prompt return.

That is signed by John G. Richards, chairman.

The CHAIRMAN. To cut the matter short, you have a whole lot of them there from the States, haven't you?

Mr. ELMQUIST. I have.

The CHAIRMAN. Just put them into the record; they are all the same things, are they not?

Mr. ELMQUIST. I would prefer, if I may, to read them to the members of the committee.

The CHAIRMAN. If they are all the same, I do not see any necessity for reading them.

Mr. RAMSEYER. They are not stereotyped, are they?

Mr. ELMQUIST. Oh, no.

Mr. RAMSEYER. Let us have them.

Mr. ELMQUIST (reading):

FORT PROVIDENCE, R. I.
January 20, 1919.

Rhode Island Public Utilities Commission favors prompt return wire systems after treaty of peace. Authorize you to state at hearing.

Mr. RAMSEYER. By whom is it signed?

Mr. ELMQUIST. J. W. Rowe, secretary. Then from the Public Utilities Commission of Maine:

AUGUSTA, ME., January 18, 1919.

Our people irrevocably against any extension of wire control. We believe control, management, and operation of telephones particularly, and probably of all wires, should be reduced to private management as soon as possible.

Mr. RAMSEYER. By whom is it signed?

Mr. ELMQUIST. Benj. F. Cleaves, chairman.

Mr. PAIGE. Are all of the telegrams opposed to the resolution?

Mr. ELMQUIST. Are they opposed?

The CHAIRMAN. I want to know of you whether any of those telegrams are in favor of the resolution, or are they all, in the same tenor, against it?

Mr. ELMQUIST. There is one telegram in favor of the resolution.

Mr. PAIGE. They all appeared to be the same telegrams. Let us have them all read.

Mr. ELMQUIST. This is from the Iowa Commission:

Wire yesterday: Iowa Railroad Commission absolutely opposed to extension period Government control and to purchase of wire system after treaty of peace. Believe properties should be returned to owners and operation by Government relinquished immediately.

Mr. RAMSEYER. I wish you would state who signs these.

Mr. ELMQUIST. Geo. H. McCaughan, secretary. This is from the Public Utilities Commission of Illinois:

Illinois Commission against Moon joint resolution 368 extending period Government control or purchase wire systems after treaty of peace; also against extending control indefinitely or for certain period. We are for prompt return. Can not appear before committee Tuesday, and desire you appear and state our position.

THOMAS E. DEMPSEY.

Mr. RAMSEYER. Are each one of those signed either by the chairman or the secretary?

Mr. ELMQUIST. Yes.

Mr. RAMSEYER. Now, do these telegrams reflect the individual opinion of that one individual, or have those commissions had an opportunity to get together and agree on the answer to your telegram?

Mr. ELMQUIST. I would assume that these represent the attitude of the commission, because my telegram was addressed to the commission.

Mr. RAMSEYER. Yes; but do you wish to say the commissions have had a meeting since they received your telegram?

Mr. ELMQUIST. I do. In most all of these States the commissions are always in session.

The CHAIRMAN. I take it these undertake to represent the whole body?

Mr. ELMQUIST. Oh, yes.

The CHAIRMAN. The commissions do not want anybody to interfere with their rights and salaries in this matter?

Mr. STEENERSON. It seems to me the witness ought to be permitted to proceed.

Mr. RANDALL. You have telegrams here, one from the Maine Commission and one from the Iowa Commission. Both appear to be on the sending blanks; are these copies of the originals?

Mr. ELMQUIST. The Western Union calls up my office and indicates that a telegram has been received, and my stenographer takes the telegram down.

Mr. MADDEN. But they won't deliver the telegram to you after they read it to you; that is the trouble. They would not send a very important telegram up to me the other night, which they read to me over the phone.

Mr. ELMQUIST. This is from the Public Service Commission of Indiana:

Answering your telegram, 17th: Public Service Commission of Indiana desires you to appear in its behalf opposing extension of control over wire systems. We insist upon the prompt return of wires and cables to owners. We are filing suit to-day in Federal court to enjoin going into effect of proposed toll rates. If you think necessary, will send representative to appear at hearing January 21.

That is signed by Carl H. Mote, secretary.

Mr. MADDEN. Mr. Elmquist, it might be interesting—I want to ask the question and get the answer to it. I read a statement in the paper giving the list of the toll rates at so much per mile and the conditions under which those toll rates are made, and I am frank to say I do not understand what it means by calling the office and not getting a connection with the person you want, and all that, and if you know, I wish you would see that that is explained.

Mr. ELMQUIST. Mr. Putnam, our telephone expert from Minnesota, is here and I think will answer all those questions. This telegram is from the New Jersey Public Utilities Commission:

New Jersey Public Utility Commission would like to have you appear before House committee and register its opposition to extending period of Government control or purchase of wire systems. There has been no improvement of service under Government control. The board is to-day ordering suspended in New Jersey greatly increased rates ordered arbitrarily by the Postmaster General, and which upon review of records with respect to revenues and operations of telephone companies appear to be without justification. It is believed to be in the public interest for the wire systems to be returned promptly to their owners.

That is signed by John W. Slocum, president.

The CHAIRMAN. President of what?

Mr. ELMQUIST. Of the New Jersey Public Utilities Commission. Here is one from Madison, Wis.:

Can not go to Washington on telephone hearing. This commission utterly opposed to Government ownership or control of telephone companies. Have just refused permission to put in new toll rates of Postmaster General raising toll rates in Wisconsin from 20 to over 100 per cent. At hearing representative of telephone company did not claim Wisconsin rates not fully remunerative. Desired no hearing on the merits. Could think of no reason connected with the war for present control or operation of telephone companies by the Government. Every telephone company in Wisconsin, unless it be the Bell, opposed to proposition. Mr. Burleson's proposal aimed at fundamental principles of our form of Government. People as a whole utterly disgusted with present control, and only await opportunity to express the same. Suit will be commenced to-morrow to enjoin new toll rates.

CARL D. JACKSON,
Chairman.

Here is a telegram from Minnesota:

Judge Dickson granted temporary injunction against increased telephone rates to-day.

IRA B. MILLS,
Chairman Minnesota Railroad Commission.

Mr. RAMSEYER. Why did you skip one?

Mr. ELMQUIST. This is a copy.

Mr. RAMSEYER. Oh, a copy.

Mr. ELMQUIST. (Reading:)

This is your authorization to appear for this commission before House Committee on Post Office and Post Roads on Moon joint resolution 368 and present our emphatic protest against extending Federal control of wire systems. We are in favor of prompt return of lines to owners. Disregard of local conditions and requirements in rate making, signing of contracts guaranteeing returns to major phone companies, and failing to accord same consideration to minor utilities rendering like service, together with the uncertainty of responsibility has operated to make Federal control ineffective. Since control an attempt has been made to increase rates per subscriber station, this State, from 25 to 100 per cent. People generally are opposed to this increase; threaten to discontinue use if increase is permitted. Toll rates recently prescribed in some instances decrease revenues by 25 per cent; one small company \$8,000 per annum. In other instances rates are doubled. Where loss of revenue occurs increased subscriber rates will

be necessary perhaps above the value of the service. New business not available. Telegraph service this section now in deplorable condition; very unreliable. Our State thinly settled; undeveloped conditions; vastly different than where systems cover densely populated and diversified country.

PUBLIC SERVICE COMMISSION OF OREGON.

Here is one from Montgomery, Ala.:

If ever there was any necessity for the Government's taking over the wire systems of the country, certainly the necessity does not exist in days of peace. I oppose retention by the Government of the wire systems a day longer than is necessary to enable them to return them in proper condition to their respective owners.

SAM. P. KENNEDY, *President*.

Here is one from Carson, Nev.:

Your wire: "Please enter appearance and represent this commission at hearing before House committee beginning January 21 on Moon joint resolution, proposing continued Government control or ownership of telegraph and telephone systems."

We are opposed to such action, because clearly subversive of our constitutional, dual form of government and the people's liberties. The States have thus far retained, exercised, and enjoyed all the sovereign powers of the Parliament of England. Beware of the adoption of anything the equivalent of the slogan that all roads lead to Washington, the simile of a national-policy catch phrase that finally resulted in centralizing everything at the seat of government, to the exclusion of the various Provinces, and destroyed the Roman Empire. Under the plea of greater efficiency by Government operation of railway and wire services, the proposed action will lay the foundation by which the States will be stripped of their sovereignty and, ultimately, of statehood itself. We protest against the liberties of the people being curtailed and usurped by any process of drifting toward those completely centralized forms of government against which they are expending such fabulous sums of money and shedding their blood for the liberation of the people of the world. For war-preparedness purposes let the Government assume partnership equity, if necessary, and exercise a voice in matter of additions, extensions, and expenditures; but leave the managerial and operating policy as it has heretofore been, subject to both State and national regulation. In United Farmers' Telephone & Telegraph case this commission has on January 18 asserted its jurisdiction to regulate State business on the ground that the property has not changed from private to Government ownership; that, in so far as State business is concerned, the Government must be held to be a holding organization, which, for operating purposes, had taken the place of the private telephone and telegraph companies; that the public obligation and the liability that so much of the property of said telegraph and telephone companies as is and had heretofore been properly assignable to each State for the rendering of State service is in no wise affected by changes made for the purpose of unified interstate operations, and that therefore the telephone and telegraph companies will be required to conform to the laws of this State in all matters relating to its purely domestic commerce. This just and reasonable segregation of jurisdiction and control, we believe, will be sustained by the courts; but if it is not, we urgently recommend that the matter be carried before the various legislatures and Congress, with a view to promptly having an amendment to the Constitution of the United States submitted for ratification by the people, for the purpose of returning these sovereign rights to the people at the earliest date possible.

RAILROAD COMMISSION OF NEVADA.

Per J. F. SHAUGHNESSY, *President*.

Mr. AYRES. There is no question about his being a State rights man.

Mr. BLACK. He is a good Democrat. I do not know what he calls himself.

Mr. ELMQUIST. This is from Bismarck, N. Dak.:

Commission favors merging control of telephone and telegraph properties into Government ownership as proposed in the Moon bill, but thinks Federal opera-

tion should include subdivision of the properties into districts with State representation in the making of rates and determination of operating policies, but not surrendering the police powers of the State.

BOARD OF RAILROAD COMMISSIONERS,
J. H. CALDERHEAD, *Secretary*.

The CHAIRMAN. That is a sensible man.

Mr. STEENERSON. That is the Nonpartisan League.

Mr. ELMQUIST. The State commission in North Dakota is elected by the people and all of the State officers in that State are Nonpartisans, and the Nonpartisan League has adopted a resolution favoring the Government control of utilities.

Mr. ROUSE. Is the commission in Nevada elected or appointed?

Mr. ELMQUIST. Appointed in Nevada. Here is a letter from Nashville, Tenn., dated January 18, 1919:

In reply to your telegram of this date the Tennessee Railroad Commission states that it is opposed to the principle of Government ownership of public utilities. We are opposed to extending the period of Government control, and favor the restoration of the wire systems to the private owners as soon as the military necessity for their control shall have ended.

Your, very truly,

B. A. ENLOE, *Chairman*.

The CHAIRMAN. All of these fellows have a got a good job.

Mr. STEENERSON. It does not seem to me we ought to reflect on them for expressing their views.

Mr. ELMQUIST. Here is a letter from the Michigan Railroad Commission, and I will read just two paragraphs:

There is a very general and widespread protest made to the commission against the toll charges promulgated by the Postmaster General in Michigan. It is estimated that they would produce an average increase in toll charges of 40 per cent; that they would operate to the disadvantage of small toll lines of 30 miles or less, air-line distance, because of the lengthening of the initial period from three minutes to five minutes with approximately the same charge. We find that in many places short toll lines are already taxed to the limit of their capacity and lengthening of the initial period would lessen their capacity. Again, there has never been a demand by the toll-line companies for an increase of rates, and in view of the fact that exchange utilities usually receive merely a percentage of originating calls with a limitation of 10 to 12½ cents per call, this increase of toll rates would not, to any appreciable extent, increase the revenues of exchange companies. In other words, the increase would go to the toll-line facilities which have thus far made no complaint to the commission that their revenues were inadequate.

* * * * *

We would be glad to have you express our position to the House Committee on the Post Office and Post Roads on January 21. The sentiment throughout Michigan seems to be universally and uniformly against Government control of wire utilities.

That is signed by A. A. Keiser, chairman.

The letter in full is as follows:

STATE OF MICHIGAN,
MICHIGAN RAILROAD COMMISSION,
Lansing, Mich., January 18, 1919.

Hon. CHARLES E. ELMQUIST,
*Secretary National Association
Railway and Utilities Commissioners,
724 Eighteenth Street NW., Washington, D. C.*

DEAR SIR: The commission has received your several circular communications advising it of the situation in Washington relative to wire utilities.

We beg to advise that a representative of this commission attended the conference of the commissioners of several States at Chicago. You have, no doubt,

been advised of the action there taken. On the day following, the Michigan commission adopted a resolution requesting the attorney general to take such action as was necessary and appropriate to preserve the powers of the State relative to telephone regulation. We are advised that upon the same day the attorney general commenced a suit in the circuit court of Ingham County against the Michigan State Telephone Co. to restrain it from collecting any rates in the Detroit exchange area which had not been approved by the Michigan commission. We are requesting the attorney general to begin such other suits against other wire utilities operating within the State of Michigan which may be necessary to restrain the collection of the proposed toll schedule and installation and moving charges which have not been approved by the Michigan commission. Several companies recently filed the toll schedule and asked for its approval, but their applications were rejected because they had not complied with the provisions of the Michigan statutes relative to the publication of the proposed increases.

There is a very general and widespread protest made to the commission against the toll charges promulgated by the Postmaster General in Michigan. It is estimated that they would produce an average increase in toll charges of 40 per cent; that they would operate to the disadvantage of small toll lines of 30 miles or less, air-line distance, because of the lengthening of the initial period from three minutes to five minutes, with approximately the same charge. We find that in many places short toll lines are already taxed to the limit of their capacity, and lengthening of the initial period would lessen their capacity. Again, there has never been a demand by the toll-line companies for an increase of rates; and in view of the fact that exchange utilities usually receive merely a percentage of originating calls, with a limitation of 10 to 12 cents per call, this increase of toll rates would not to any appreciable extent increase the revenues of exchange companies. In other words, the increase would go to the toll-line facilities, which have thus far made no complaint to the commission that their revenues were inadequate.

Concerning the installation charge and moving charge, wherever that has been considered by the company to be of sufficient importance the commission has authorized a contract requiring the deposit at the time of the connection of a sum of money sufficient to protect the company against cancellation of the contract in less than one year, and the rate so fixed as to make the year's rental practically absorb the installation cost.

If you deem it desirable, you may use this letter for the purpose of advising any board, commission, or Member of Congress of the situation in Michigan, so far as is covered by the foregoing statement.

We would be glad to have you express our position to the House Committee on the Post Office and Post Roads on January 21. The sentiment throughout Michigan seems to be universally and uniformly against Government control of wire utilities.

Very truly, yours,

MICHIGAN RAILROAD COMMISSION,
By A. A. KEISER, *Chairman*.

The CHAIRMAN. Do you know all of these people personally who sent these telegrams?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. Do you know they are all authentic?

Mr. ELMQUIST. I certainly do.

The CHAIRMAN. You received them yourself?

Mr. ELMQUIST. I received them.

The CHAIRMAN. And they are in response to one that you sent asking for information?

Mr. ELMQUIST. They are all in response to a telegram which I have already read into the record.

The CHAIRMAN. How did you advise those gentlemen about how they should answer?

Mr. ELMQUIST. Shall I read the telegram again?

The CHAIRMAN. No; I am not talking about that telegram; I know what you have already read, but did you give them any other information on the subject?

Mr. ELMQUIST. I did not. This is the telegram:

JANUARY 17, 1919.

State commissions may be heard before House Committee on the Post Office and Post Roads Tuesday, January 21, on Moon joint resolution 368, extending period Government control or purchase of wire systems after treaty of peace. See my bulletin 19. If desired, I will appear and express your position with reference to extending control indefinitely or for certain period or for prompt return. Please advise by wire.

The telegrams I have read to you represent the replies.

The CHAIRMAN. You are chairman of that association?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. You represent them all?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. What is the purpose of that association? Why should they have a man here in Washington?

Mr. STEENERSON. Wouldn't it be better to postpone this cross-examination until he finishes his direct statement?

The CHAIRMAN. I do not care, if he wants to go along; I thought he was about through.

Mr. ELMQUIST. Here is a letter I would like to read, from Kansas:

Inclosed herein please find carbon copies of message and communication addressed to the Postmaster General.

I believe that the general public is agitated over this order in such a way that unless our request is complied with, the commission will find it necessary to institute proceedings notwithstanding grave doubts as to being able to accomplish any permanent results.

If you can give us any information in regard to the questions involved, we will be obliged to you.

Mr. AYRES. What is the date of that?

Mr. ELMQUIST. January 16.

Mr. AYRES. By whom is it signed?

Mr. ELMQUIST. It is signed by John M. Kinkel, chairman. The telegram is dated January 16 and is addressed to Hon. A. S. Burleson:

Many protests are being filed here against the substantial increase in charges and radical changes in transacting toll business, as provided for in your order No. 2495. We therefore earnestly urge that you postpone the effective date of said order for 30 days, thereby giving opportunity to present objections. We believe we should have had opportunity to be heard before final conclusion was reached by you. Toll rates in Kansas are remunerative and toll users are objecting to paying more for the service than the companies themselves ask for.

Signed by Public Utilities Commission for Kansas, by John M. Kinkel, chairman.

Then attached to that is a letter addressed to Mr. Burleson:

Confirming our message of to-day, we again urge the postponement of the effective date of your order No. 2495 for a period of at least 30 days, in order that we may have opportunity of presenting objections in the usual formal manner.

In your address to the National Association of Railway and Utility Commissioners at Washington, D. C., on November 13, 1918, in reference to the management of the physical properties of the wire systems, you said—

Now, I read from Mr. Burleson's statement—

The CHAIRMAN. Now, let us see about that; is that testimony from you?

Mr. ELMQUIST. I am reading from the letter received from Kansas, which is a copy of a letter sent to Mr. Burleson.

The CHAIRMAN. I do not know what the committee desires about that, but this looks to me like third-hand testimony. I have no objection to your reading it if you want to, but if this gentleman is coming here to testify as a witness, to testify as to what somebody else wrote to Mr. Burleson, it seems to me a little bit out of order.

Mr. STEENERSON. There is no dispute about the fact he wrote that letter.

The CHAIRMAN. There may be dispute about the fact he wrote the letter.

Mr. STEENERSON. Mr. Lamar is here, if he denies the Kansas commission sent that.

The CHAIRMAN. We are here, and it is our business, and not Mr. Lamar's; it is the sentiment of the committee I want to know; if the committee wants that, let them have it; if no, let it go out. I simply express the opinion myself, testimony is not worth much that comes through three hands, submitted to us by the gentleman who says he does not know anything about the subject.

Mr. STEENERSON. If there was any dispute about the authenticity of the letter, that would be different, but this is simply a copy of the letter sent from Kansas.

The CHAIRMAN. It is just an orderly procedure I would prefer to see and not to have this man read everything he thinks about into the record. If you want to do so, I do not care if you put Webster's Dictionary into the record.

Mr. STEENERSON. I believe if the chairman will let the witness proceed I am sure he will not abuse the committee's time.

The CHAIRMAN. All right; but I do not want to sit here and let a gentleman read everything he wants, without calling the attention of the committee to the fact he is reading something that may be irrelevant. If you want it read, it will be all right to me.

Mr. STEENERSON. If it is irrelevant, that will appear later on.

Mr. ELMQUIST. (Reading:)

Having reached that stage, I expect to avail myself of the very patriotic tender of your services, made to me through your chairman and a committee who waited upon me immediately after the 1st day of August. I intend to utilize those services to the maximum. You have the experience, you have the facilities, you have the information which, if I can properly utilize it, will be of the greatest service to me; and as far as I am concerned I intend to put you to the test, and whenever a problem presents itself that I think you can aid me in solving I intend to call upon you.

Then the letter continues:

This question is of such importance that, in our judgment, the policies outlined by you should have been followed, and State commissions representing the public should have had opportunity of appearing before you at least upon the same basis and with the same opportunities as were evidently afforded the representatives of the wire systems.

Some of the rules proposed for the handling of toll business are so revolutionary, undesirable, and inconvenient that the enforcement of same will surely result in a positive loss in the popularity of toll service that it now enjoys.

Within the last six months this commission approved a schedule of toll rates for Kansas business, filed by wire systems, which resulted in a substantial increase in revenues, and at this time there is no toll line company operating in Kansas complaining because the existing rates are not remunerative or compensatory. The information furnished from your department is to the effect that your order reduces rates, but as a result of studies made of the subject it is the view of this commission that there is a substantial increase in rates.

Under these circumstances the public can not understand why additional burdens, involving both rates and service rules, should be placed upon this traffic.

We feel that this is a matter of prime importance and trust that you will act favorably upon our suggestion and postpone operation under your order until further facts and information can be presented to you.

The CHAIRMAN. What is the date of that letter?

Mr. ELMQUIST. That was January 16.

Mr. AYRES. Have you a telegram or a letter there in reply to that telegram that you sent out on the 17th?

Mr. ELMQUIST. I have not from Kansas.

Mr. AYRES. You have nothing from Kansas?

Mr. ELMQUIST. No.

This is from the Public Utilities Commission of Connecticut:

In answer to your telegram 17th: Please express position of this commission as that outlined in telegram of January 8.

My telegram of January 8 related to McAdoo's five-year control plan, and so I will read that telegram as the answer to my telegram of the 17th.

The CHAIRMAN. What does it relate to—the McAdoo control?

Mr. ELMQUIST. The telegram of the 8th was one which I sent out inviting opinions of the commissions upon McAdoo's five-year control plan.

The CHAIRMAN. Now, I want to ask the committee, Do you want to hear anything about McAdoo's plan?

Mr. BLACK. He said the reply to the telegram of the 8th represented the same opinion as to the other.

(After discussion:)

Mr. ELMQUIST. This reads:

Connecticut Public Utilities Commission not in favor of Government ownership of railroads. Does not see necessity of McAdoo five-year plan. It looks like a step toward Government ownership. A limited period may be necessary, but the 21 months provided in Federal-control act should be sufficient. The Association should take a stand at least to the extent of presenting the expressed attitude of the different State commissions. If private ownership is to be restored and State commissions are to have any jurisdiction, the jurisdiction of State and Federal commissions should be specifically defined with as little duplication as possible. Would probably favor such local rates as would correspond with rates established for interstate traffic.

It is signed by Richard T. Higgins, chairman. Of course, the germane part of that telegram is that the commission opposes the extension of the five-year railroad plan, and hence opposes the extension of the period of railroad control.

The CHAIRMAN. Does it say that?

Mr. STEENERSON. Read the first part of it.

Mr. ELMQUIST. (Reading:)

Connecticut Public Utilities Commission not in favor of public ownership of railroads. Does not see necessity for McAdoo five-year plan.

The CHAIRMAN. That is the railroad proposition.

Mr. STEENERSON. Read the other telegram.

Mr. ELMQUIST. (Reading:)

In answer to your telegram 17th, please express position of this commission as that outlined in telegram of January 8.

Mr. RAMSEYER. Now, they do not necessarily object to a two-year retention.

Mr. MADDEN. That is not before us at all.

Mr. RAMSEYER. Oh, yes; it is.

Mr. MADDEN. No; it is not. The only thing before us is perpetual Government ownership.

Mr. RAMSEYER. No; it isn't.

Mr. MADDEN. That is what the bill says.

Mr. RANDALL. The bill says until Congress says otherwise.

Mr. ELMQUIST. That seems to be all of the telegrams.

Mr. STEENERSON. Have you anything further to say in regard to the subject?

Mr. RAMSEYER. Let us make inquiry as to how many States he has failed to hear from.

Mr. ELMQUIST. I have not made that inquiry.

Mr. RAMSEYER. How many States have you heard from?

Mr. ELMQUIST. I have not counted up the number. Many of these came in this morning.

Mr. RAMSEYER. I kept track of them. You have read telegrams or letters from 19 States.

Mr. ELMQUIST. I would like to be permitted to file, as a part of this record, such telegrams bearing upon this question as I may receive to-day or later.

The CHAIRMAN. I do not think that is proper, what you may receive hereafter; you are a witness now, not counsel.

Mr. BLACK. I suggest that he file with the chairman, and the chairman can put them in the record if he sees fit.

The CHAIRMAN. You can file them here if you want to.

Mr. RANDALL. I understood you to say you sent this telegram you mention to all of the States which have commissions?

Mr. ELMQUIST. Yes, sir.

Mr. RANDALL. That includes all of the States except one?

Mr. ELMQUIST. Yes, sir.

Mr. RANDALL. That would be 47 States?

Mr. ELMQUIST. Yes, sir.

Mr. RANDALL. And you have 19 answers?

Mr. ELMQUIST. Yes, sir.

Mr. MADDEN. Some of the telegrams he sent might not have reached them.

The CHAIRMAN. We are considering control temporarily. Considering the conditions of the service now and the action of the Government with reference to the telegraph and telephone, is it your opinion it would be to the advantage of the telephone people or of the people of the country to immediately turn back those properties without any systematizing of the service by the department, as contemplated, in the present condition that they are in?

Mr. ELMQUIST. I can not see where there would be any injury to the public service by having these properties immediately returned to private ownership.

The CHAIRMAN. You do not see where there will be any?

Mr. ELMQUIST. No, sir.

The CHAIRMAN. You know a great many of the companies express the opinion that there is great danger to the public interest and particularly to themselves, if they are turned back at this time—the telephone companies themselves state that, a vast number of them. Now is there anything you know about telegraph and telephone mat-

ters that would induce you to say those companies are wrong in reference to their own condition?

Mr. ELMQUIST. If I was the owner of a telephone company or a stockholder in one of them, and saw an opportunity of making a contract with the Government to guarantee a satisfactory dividend during the period of readjustment, I think I should be anxious to avail myself of that opportunity.

The CHAIRMAN. You think it would be to the interest of the telephone companies, if their business is unsettled by the action of the Government so far, that they would take advantage of a resolution that would enable them to have their matters properly settled and adjusted before the properties were turned over?

Mr. ELMQUIST. That is my opinion.

The CHAIRMAN. You think it would be in the interest of the telephone companies of the United States for the Government to control until such time as they can be turned over without detriment to the interest of the companies and the Government; that is your position about that?

Mr. ELMQUIST. Yes.

The CHAIRMAN. Now, if it be a part of your statement it is in the interest of the telephone companies and the Government that this thing be done, what is the cause of the protest of the utilities commissions?

Mr. ELMQUIST. The cause of the protest of the utilities commissions, Mr. Chairman, is this: Since the Government has taken over the operation and control of the telephone companies there have been indications of substantial increases of rates. Very shortly after the Government control, the Postmaster General imposed unusually high charges to those communities that are affected, without any consideration of the effect it would have upon the business of the companies or upon new subscribers, without making any investigation into the cost of that particular service.

Mr. MADDEN. You mean the installation charges?

Mr. ELMQUIST. The installation charges; yes.

Mr. MADDEN. They charged me \$15 for putting a telephone in which I was always able to get before for nothing.

The CHAIRMAN. There may be isolated cases like that.

Mr. MADDEN. No; that is the rule; that is the regulation.

Mr. ELMQUIST. That order imposed a very high charge upon patrons throughout the United States without securing the consent or approval of the State commissions who are charged by the laws of the several States to pass upon that question. Many of the State commissions had passed upon applications for telephone companies for that sort of an installation charge.

The CHAIRMAN. Then, keeping in view the fact that the majority of these telephone companies, the important ones, are wanting the Government to retain a short control over the wires, and due to the unsettled condition in reference to the matter and of the country and of the whole question, your utilities commissions are making this opposition, notwithstanding that situation?

Mr. ELMQUIST. I did not complete my statement, Mr. Chairman. The first objection was to the installation charge. The objection to the retention of control is based upon the proposed toll rate which went into effect last night. State commissions with whom I have

conferred and who have sent me tabulations of those toll rates point out that they represent a very great increase in the rate and that this has been done without the companies applying to the commissions for approval of the rates, without an investigation in the several States into the cost of the service and the value of the plant.

The CHAIRMAN. This statement you are making is of your own knowledge, I presume; that is all we want.

Mr. ELMQUIST. After conference with the different members of the commission; yes.

The CHAIRMAN. I say this statement you are making about the Government—that is of your own knowledge?

Mr. ELMQUIST. I am now reporting things that have been told me by the commissioners with whom I conferred.

The CHAIRMAN. I want to know what you know about it.

Mr. ELMQUIST. All I know is that the telephone toll rates which have been put into effect by the Government to-day represent a very substantial increase in the rates which have been charged for similar service throughout the United States.

The CHAIRMAN. That brings you right down to this question: The truth is, then, that your commissions are in conflict with the Government upon this question and Government control temporarily, notwithstanding the interests of the telephone companies and the department think it is in the immediate interest of the people?

Mr. ELMQUIST. The truth is there ought not to be any conflict existing between the commissions and the Government. The joint resolution authorizing the President to take over the control and operation of the wire systems expressly provided that all police regulations and power should be reserved in the State.

The CHAIRMAN. That is right.

Mr. ELMQUIST. It has been generally conceded that the police power included the rate-making power. Now the State commissions relying upon that proviso are expecting all these questions relating to intrastate service should be referred to them for consideration. As a matter of fact, they have not been so referred and these State commissions relying upon the law, upon their oath and obligation which they have taken as State officers, feel it is their duty to perform all the duty which the law has imposed upon them in the interest of the public.

The CHAIRMAN. Then in your opinion the representatives of the department operating the telephone and telegraph systems under a war-power resolution, before they do anything in any State, they should consult and get the approval of the commission of that State; is that your opinion?

Mr. ELMQUIST. It would have been a very proper thing to do.

The CHAIRMAN. Could that have been done and any sort of decent control of these wires had?

Mr. ELMQUIST. Why, certainly. Just as soon as the Postmaster General—

The CHAIRMAN. Then the complaint of the utilities commission is this, that the Government did not so construe the law and did not call each of those State commissions into consultation and make a separate determination in each State as to what should be done; that is your complaint?

Mr. ELMQUIST. We expected that the Government——

The CHAIRMAN. Oh, you expected it, but you didn't get it and that is why you are complaining?

Mr. ELMQUIST. One of the reasons; yes, sir.

The CHAIRMAN. How is that?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. So that you are in a fight here, your State boards through your committee, in the interest of the control by your State boards of these utilities, notwithstanding it may appear from the statements of the companies themselves and from the officials of the Government, that it is to the best public interest and to the best interests of the telephone companies that they remain at least for a short while in the control of the Government?

Mr. ELMQUIST. The control which you now have retains possession of the telephone companies until the signing of the treaty of peace, and surely that is ample time.

The CHAIRMAN. Now I want to ask you this further question: Why is it that you have organized all of these State commissions to make this contest against a further Government control, notwithstanding what I have said to be true that the companies want it and the Government feels it is to the best interests for the present at least that the time be extended? What have you to say upon that?

Mr. ELMQUIST. We have not organized any contest, Mr. Chairman.

The CHAIRMAN. What?

Mr. ELMQUIST. There has not been any contest organized by the State commissions.

The CHAIRMAN. You sent a telegram; you admit here that you are here as a representative of all of these people, at Washington, looking after the interests of these State commissions, and you sent out this telegram and you got these replies, and now you say you have no interest in that?

Mr. ELMQUIST. The national association in its convention, held in November, passed a resolution asking the Postmaster General to promptly return these properties. That is an expression of opinion of the national association and that is in the record.

The CHAIRMAN. In view of the fact that you are antagonistic to the Government and the telephone companies, too, in this matter, and are you not here as a representative of all these commissions for the purpose of preventing any control by the Government, doesn't your interest lie in the fact that it will weaken the strength of your commissions, and the commissions in the States won't have the power they now have over these matters during the period of Government control?

Mr. ELMQUIST. Not at all.

The CHAIRMAN. Then you don't object on the part of the commissions to the Government having control for that reason?

Mr. ELMQUIST. We are not objecting on account of the commissions personally. The commissioners are State officers and they represent the public, and they have certain obligations to perform as public officers.

The CHAIRMAN. That is the theory?

Mr. ELMQUIST. That is the fact; I have been in it for 10 years, and I know.

The CHAIRMAN. You say that the only interest that these commissions have is nonpersonal entirely?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. How do you know that?

Mr. ELMQUIST. From my association with the commissioners for over 10 years.

The CHAIRMAN. That is just your presumption; it is not any knowledge on your part?

Mr. ELMQUIST. I have been a public officer for a great many years myself and have always looked on this problem from a public and not a personal standpoint.

The CHAIRMAN. I know that, too; but you know when power is passing out of an officer and his authority is being diminished and he has a good salary it is something else besides public interest involved?

Mr. MADDEN. Isn't it fair to assume that the public interest of the Public Utilities Commission is as fairly representative of the people as that of the Postmaster General?

The CHAIRMAN. Why, of course. I am asking him the question, Isn't this conflict brought about because of the objection that they have to the taking of power out of their hands.

Mr. ELMQUIST. Of course, it grows out of that, Mr. Chairman.

The CHAIRMAN. Yes; now we are getting at it.

Mr. ELMQUIST. As I explained, the telephone resolution provided that all these police powers were to be reserved to the States and every State commission assumed that that meant they were to exercise the powers given to them by the laws of the several States over the service and the rates, intrastate, of those telephone companies.

The CHAIRMAN. Therefore, inasmuch as the law was not construed as you gentlemen in the various States thought it ought to be, but that the Federal authority was assumed under it for the benefit of the United States—therefore comes the conflict between the State commissions and the Federal Government? There is where you hitch with the Federal Government, isn't it?

Mr. ELMQUIST. Yes, sir. We expressed our willingness and desire to cooperate with the Postmaster General in every way; we tendered him the services of all of our departments and our experts; we pointed out to him that in the conduct of the telephone business he would need the services of those commissions.

The CHAIRMAN. Now, do you undertake to say that the Postmaster General has not, so far as he deemed it advisable and advantageous to the Government, accepted that advice; that it has not been done?

Mr. ELMQUIST. I am not commenting upon that; I can not answer for his judgment.

The CHAIRMAN. No; of course not. So that inasmuch as he did not follow your course and directions, as you think he ought to have done, you have come here and consolidated as commissions from the States, seeking to maintain State control over a matter that is now Federal under the law, and you make this fight in opposition both to the telephone people's interests and the telegraph people's interest and—that which some of us believe, particularly the administration—the Government's interests?

Mr. ELMQUIST. The State commissions, Mr. Chairman, look upon the telephone business as a peculiarly local business. It concerns the communications of persons to persons within a village and State, and the exchange radius, and it is as peculiarly local in its nature as any other business can be that has always been subject to the regulation of State officers.

The CHAIRMAN. You are seeking then to have your local control under the State commissions as preferable to the interstate control in a national control by the Congress and the Government of the United States?

Mr. ELMQUIST. I do not think there is any doubt at all—

The CHAIRMAN. In other words, the State commissions organized themselves in opposition to the Federal Government upon this question?

Mr. ELMQUIST. I do not think there is any doubt at all but what you would have better service and cheaper rates if the control was left in private hands, subject to the efficient regulation of State commissions, than you will have, sir, under the control of the Federal Government, as it is now being operated.

The CHAIRMAN. Don't you believe that one central control—I am not speaking of the ultimate purpose of this resolution now—of a great interstate utility like the telephone or the telegraph will be better in the interests of the people than the control of two or three thousand concerns under the Interstate Commerce Commission?

Mr. ELMQUIST. I do not see how you are going to have one great national control of the telephone business. You take in our own State, we have over 1,600 telephone companies, and a very large number of them are local telephone companies.

The CHAIRMAN. There is no attempt to control the rural telephones.

Mr. ELMQUIST. Another large number are local exchanges that have been built, conducted, and maintained purely by local capital to serve a local demand. Those telephone companies and the patrons of those telephone companies are not at all interested in what the rate or the service may be in California or in New York City. They are interested in what the service is in their particular community and they should pay a rate that will bring in a fair return on capital that is honestly and prudently invested in that enterprise and which will maintain a depreciation fund, so that that property can be well maintained and give good service.

The CHAIRMAN. Looking at the question from the broader standpoint than the mere interest of these commissions that want to retain local power and constant power, if the whole system were under the control of the Federal Government with one responsible head and not so many overhead charges and so many officers and so many places for offices to be located and so many salaries, don't you believe that ultimately a cheaper rate would come to the people as well as better service and the interstate interests better protected? In other words, has not the time come for the federalization of the utilities of this sort?

Mr. ELMQUIST. I do not think so.

The CHAIRMAN. And therefore not thinking of the matter in that way, and your commissions desiring to retain that power separately, you have come here—not being called upon by the telephone com-

panies or the telegraph companies interested, nor by the people—to make this fight in the interests of the commissions?

Mr. ELMQUIST. I have come here to do just what I have done this morning, to let you know just how the State commissions feel. I therefore reflect a public sentiment of the people of this country.

The CHAIRMAN. No, sir; you don't reflect the public sentiment of the people of this country; that is argumentative, strictly.

Mr. MADDEN. The chairman has left the impression that the public are not opposed to this thing and that the telephone companies' interests are greater than the public interests, it seems to me, and I would like to ask Mr. Elmquist if he does not think it is the sentiment in your end of the world that the telephone companies want to maintain Government control of their properties just as long as the Government is willing to use its Federal authority to increase the rates?

Mr. ELMQUIST. I answered that question.

Mr. MADDEN. I just want to have it answered so we will get it down.

Mr. ELMQUIST. Undoubtedly it is to the advantage of the large telephone companies of the country to have the Government control them during a period of years, because during that time their returns are guaranteed; they are not troubled with wage problems or anything else, and when they are returned again to private control their properties, of course, will have been well cared for, the rate basis will be adequate, and they will then be in good condition to continue operating at a fair return.

Mr. MADDEN. Since Government control, charges have been increased for service and for tolls that were not permitted to be made by the companies before the Government took the lines over, have they not?

Mr. ELMQUIST. The increases were not even asked for by the companies before the lines were taken over.

Mr. MADDEN. And so there have been increases in the charges that the companies did not suggest?

Mr. ELMQUIST. Yes, sir.

Mr. MADDEN. And instead of taking the advice of the people of the States and the representatives of the people of the States who have the regulation of these properties within the States, whose advice did the Postmaster General take and who really is in control of the operation of the telegraph and telephone companies now?

Mr. ELMQUIST. Oh, I can not answer that question.

Mr. MADDEN. Is anybody connected with any of the telephone companies a part of the management of the telephone and telegraph companies under Government regulation?

Mr. ELMQUIST. I prefer you would ask that question of Mr. Lamar, who is present.

Mr. STEENERSON. He has already answered it; it is in the hearing—Mr. Bethel, Mr. Carlton, of the Western Union, and an officer of the company; Mr. Vail—

Mr. MADDEN. So that it is the most natural thing in the world for these people who own the companies to make charges that will increase the rates to the public?

Mr. ELMQUIST. I do not think the companies would hesitate to see that rates were put upon an adequate basis at any time, and if they find a favorable opportunity, of course they will accept it.

Mr. RANDALL. You represent the State commissions here?

Mr. ELMQUIST. Yes, sir.

Mr. RANDALL. They understand that you are their representative in Washington?

Mr. ELMQUIST. Yes, sir.

Mr. RANDALL. You sent this telegram to 47 State commissions on the 17th of January, stating that this hearing would occur on the 21st, and asked every commission to advise you by wire whether they desired you to appear before the committee. Out of the 47 messages which you sent, you have received 19 answers?

Mr. ELMQUIST. Yes, sir.

Mr. RANDALL. Fourteen of which are by telegraph and five by letter, leaving considerably more than half of the States who have not answered your telegram?

Mr. ELMQUIST. The telegram was sent out as a night letter.

Mr. RANDALL. The telegram states the date of the hearing, and asks that they reply by wire?

Mr. ELMQUIST. Yes. I may receive a great many more replies to-day.

Mr. RANDALL. They understand when the hearing is to occur?

Mr. ELMQUIST. Yes, sir; but the resolution which I read into the record, adopted by the national association, was an expression by the representatives of all the commissions.

Mr. BEAKES. In the telegram you sent out to the State commissions, you say, "See my bulletin 19"?

Mr. ELMQUIST. Yes, sir.

Mr. BEAKES. Have you filed that bulletin?

Mr. ELMQUIST. I can. I file that as a matter of record [producing paper].

Mr. AYRES. Let us have it read.

Mr. ELMQUIST. This is the bulletin I sent out on December 30:

NATIONAL ASSOCIATION OF RAILWAY AND UTILITIES COMMISSIONERS,
Washington, D. C., December 30, 1918.

BULLETIN NO. 19. GOVERNMENT OWNERSHIP OF TELEPHONES AND TELEGRAPHS.

Under the present law the Government may retain these properties until the exchange of ratifications of peace. House joint resolution 368, by Representative Moon, seeks to modify the law by extending the period of control, providing for the valuation of the properties, and authorizing the purchase thereof. Our national association at its last convention adopted a resolution, a copy of which has been sent you by our secretary, calling upon the Postmaster General to release Federal control "as soon as practicable and the military necessity shall have ended."

It is expected that the telephone companies will not oppose the extension of Government control for a definite period. Their attitude on the question of Government ownership is uncertain. The question before Congress is political as well as economic.

Members of Congress should have first-hand information from the State commissions as to the success or failure of Government operation and the effect upon which it has had upon service, wages, rates, economies, and other incidental questions. You will be doing a service by writing them fully upon the following points and any others that you may deem pertinent.

(a) Should the properties be promptly returned to their owners?

(b) Should Government control be extended for a definite period?

(c) Effect of Government operation upon telephone and telegraph service.
 (d) Wages.
 (e) Toll and exchange rates; also the effect of the toll rates recently prescribed.

(f) Consolidations and economies of operation.
 (g) Upon State laws and established rules and practices.
 (h) What action has been taken or is in contemplation as to questioning the authority of the Postmaster General over intrastate rates and service?

I might be advisable for you to send copies of your communications upon these points to the proper congressional committee. There should be no delay in sending this information, and your letters should be full and explicit. There is no body of men in the country who are in a better position than the State commissions accurately to gauge public opinion upon the question of Government ownership or the extension of Government control and the effect of Government operation upon the rates and service of these utilities.

CHARLES E. ELMQUIST,
Secretary Special War Committee.

MR. BEAKES. Now, if Government ownership of the telephone and telegraph services were put in effect would not this mean they would lose their jobs?

MR. ELMQUIST. Not at all; not a one of them.

MR. MADDEN. A number of the State commissions that have not yet replied have commenced suit against the Postmaster General, have they not?

MR. ELMQUIST. They have.

MR. MADDEN. For instance, Ohio, I notice, has not replied, and it has commenced suit.

MR. STEENERSON. And Nebraska?

MR. ELMQUIST. Nebraska has a suit pending, and Michigan has.

MR. BLACK. New Jersey has, West Virginia has, Illinois has, and Nevada has.

MR. AYRES. That resolution passed by your national body advocates the turning back of these phones or wires as soon as practicable, doesn't it?

MR. ELMQUIST. Yes, sir.

MR. AYRES. It does not ask for an immediate turning of them back?

MR. ELMQUIST. I read the resolution to you.

MR. AYRES. Is not that what it says? That is my remembrance of it.

MR. ELMQUIST. Therefore, be it resolved that this association does respectfully recommend to the Postmaster General that the Federal control of the telephone and telegraph wires cease as soon as practicable and the military necessity therefor shall have ended.

MR. AYRES. Who was to be the judge of when it was practicable?

MR. ELMQUIST. The word "practicable" must be read in connection with the latter part of the resolution, "and the military necessity therefor shall have ended." It is the judgment of all of the State commissions that there is no military necessity now existing for the control of the telephone wires by the Government. An armistice has been signed.

MR. AYRES. That is just those 19 that you have heard from, Mr. Elmquist; that resolution would not indicate it, would it?

MR. ELMQUIST. Yes.

MR. AYRES. It says as soon as practicable, and 19 of them say it should be turned back immediately. I understand.

The CHAIRMAN. The other 29 don't say.

Mr. STEENERSON. I believe you made it plain in answer to the chairman's question that in what the commissions have done, so far as you know, they have acted in the interests of the people of their respective States?

Mr. ELMQUIST. There can be no question about that, Mr. Steenerson.

Mr. STEENERSON. The inference to be drawn from those questions was that you were actuated by personal motives in continuing or aggrandizing your official positions, and your answer was not as clear as I would like; that is the reason I ask this question now.

Mr. ELMQUIST. Yes.

(The committee thereupon took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reconvened, pursuant to the taking of the recess, at 2 o'clock p. m.

STATEMENT OF MR. CHARLES E. ELMQUIST—Resumed.

Mr. ELMQUIST. I wish nothing which I stated this morning to carry the impression that I was representing the National Association of Railway Commissioners in opposing the Government ownership of telephone or telegraph systems. Our association, as such, has never taken formal action upon that precise question, and therefore I do not want to assume an authority to express an opinion upon that question which I do not possess.

Mr. BLACK. Do your railroad or public utility commissions undertake to regulate interstate rates or do you limit your activities to dealing with matters strictly of an intrastate character?

Mr. ELMQUIST. My jurisdiction is limited wholly to intrastate rates. In practice, however, all the commissions very frequently appear before the Interstate Commerce Commission on questions involving the unreasonableness of interstate rates. In many of the large rate cases, like the Five Per Cent case, and the recent Fifteen Per Cent case, the commissions organized and appropriated money and selected accountants and appeared before the commission solely for the purpose of aiding the commission to reach a correct determination of the questions at issue.

Mr. BLACK. In objecting to the curtailment of their jurisdiction, do you think these commissions are protesting because of their own personal interest or because of what they conceive to be the interests of their respective States?

Mr. ELMQUIST. They are protesting solely on behalf of the public interests. They have no personal interest in the matter at all.

The CHAIRMAN. You are calling for an opinion there?

Mr. BLACK. Very well; I understand that.

Mr. ELMQUIST. I am answering for the commissions and I will assume authority for saying that that is a correct answer.

Mr. BLACK. The chairman of the committee asked you a question: the substance of which I recall as this: If you do not believe that the centralizing of all these wire facilities under one central control here in Washington would result in beneficial conditions to the people, I want to add to that question this: If you think it would

be possible to thus centralize this control and at the same time to decentralize it so that the varying interests of the people located in the different communities of the 48 States could be properly looked after and protected?

Mr. ELMQUIST. I have given considerable thought to the question that you ask. It is my opinion—and now I answer relative to the railroad question as well as the telephone question—that if the time should come when the Government undertakes permanently to operate or control or own and operate these large transportation or communication utilities, that there still would have to be local regulation, because conditions are so varied throughout the country, climatic, operating, and otherwise, that you would have to have local control to see that that public service is properly given. It would be necessary to have local control in order to enable the people who have complaints, either as to service or as to rates, to have those questions expeditiously and economically handled. As it is now the people may complain about a railroad rate or railroad service or telephone rates or service; they can come before a local commission and in very many cases get the question ironed out in half an hour or an hour. The local commissions understand the local conditions; they are directly responsible to the people; they understand best what the public needs, and I do not believe that you can properly safeguard the public interest by centralizing all power in Washington. You are getting too far away from the people.

Mr. BLACK. Then the truth of the matter is that these things are now, or were before the passage of the present control law, decentralized; and now if we go ahead and centralize all these things under one Federal control and its decentralization then became a very urgent matter, will it not be very difficult when you once centralize a control of that kind, to procure those processes of decentralization?

Mr. ELMQUIST. I think, if the step is once taken, there never will be any backward step. The Government does not give up what it has.

Mr. BLACK. Laying aside the question of Government ownership altogether, do you have in mind any reasons why the public would be benefited by extending the period of this control beyond the date of the proclamation of the treaty of peace?

Mr. ELMQUIST. I can see no benefit to the public at all.

Mr. MADDEN. Would you be able to see any benefit to the companies if this period of control should be extended?

Mr. ELMQUIST. I do not see how the large companies can complain of the present control; and where you get a large corporation like the Bell system and some of those large independent systems, placing their property under the control of the Government and guaranteeing them a fixed amount of return, where they have no difficulties with labor troubles or others, well, there is nothing to complain of; and finally when it comes to the question of purchase the Government must pay what the properties are worth.

Mr. MADDEN. What is your judgment, if you have given any thought to it, about the wisdom of the Government deducting from the earnings of any one company and adding the amount deducted to the earnings of another company?

Mr. ELMQUIST. In the abstract, that is a pretty hard question to answer.

Mr. MADDEN. I just ask for your opinion.

Mr. ELMQUIST. I know that a good many of us to-day are trying to figure out some plan by which you can limit the excessive earnings of some of the strong transportation lines of the country and distribute some of those earnings to some of the weaker lines. If it can be done with the railroad companies it would be possible, perhaps, under some form of unification, for the weaker lines of the telephone systems. Of course, that can not be done under private control very well.

Mr. MADDEN. I know, but what do you think about the justice of it?

Mr. ELMQUIST. Well, it depends somewhat upon circumstances. A local exchange is purely a local function; you have your wires there to serve the people of that particular community; all the patrons of that particular exchange should be called upon to do is to pay a rate which will bring in a fair return upon the money honestly and prudently invested, together with a proper depreciation fund to maintain the property. If you are going to assess the subscribers of that particular local exchange money in excess of those requirements, then you are taxing them for something they are not getting and giving the benefit of that money to somebody else who is paying less than the service is actually worth.

Mr. MADDEN. Your theory is that the charge to be imposed upon each community should be sufficient just so that no part of the loss sustained by the company in a community where the charge was not just should be made up by an excessive charge upon some other community?

Mr. ELMQUIST. And relating to telephone companies, the whole theory of regulation and the whole theory of the law has been that way.

The CHAIRMAN. You said a while ago that you assumed and did speak for all the commissions of the different States in this matter; am I correct in understanding you that way?

Mr. ELMQUIST. You are.

The CHAIRMAN. You have not heard, as I understand, on this bill from 29 States?

Mr. ELMQUIST. Not from 29 States on this particular bill; but you asked me the general question.

The CHAIRMAN. You would not undertake to speak for them, would you?

Mr. ELMQUIST. We had a national association convene here in November.

The CHAIRMAN. But that was before this bill was introduced?

Mr. ELMQUIST. But they voted for a return of the properties as soon as possible. I know the sentiment of the commissions of the country.

The CHAIRMAN. You say that the State commissions would have no other interest in the matter than the good of the public; where they were deprived of fixing rates and controlling property, you think they would have no personal interest in it at all if the result of that action might mean the abolishing of their official positions?

Mr. ELMQUIST. The abolishing of their official positions will not be the result, because they have other duties to perform.

The CHAIRMAN. You can not tell, in many States; you are assuming a fact that you can not assume. I am asking you your opinion. You expressed your opinion as to all their good faith and I am asking you whether if you take away from them their authority and power they are purely actuated from the public interest and have no personal interest in it at all.

Mr. ELMQUIST. I suppose, Mr. Chairman, we must be very frank. If the result of the Government control of the telephone lines meant it would deprive some of the State commissions of their authority, that might be; but I am sure it will not do so or tend to do so, since they have other things to do.

The CHAIRMAN. You say there can not be any proper governmental control of this matter—that there would have to be local control altogether to be of benefit—did I understand you that way?

Mr. ELMQUIST. I did not say altogether; I said even if the Government owns and operates the telephones and the railroads there still must be decentralized control in order to take care of many local problems which the public are constantly bringing up.

The CHAIRMAN. The Government of the United States owns, controls, and operates the Post Office Department and hires people in various ways and they furnish the communication themselves. Would the people suffer any loss if that power was diffused among the States instead of left with the Federal Government?

Mr. ELMQUIST. I think we would get a good deal better service if the people back home selected the postmasters.

The CHAIRMAN. You think that the people from the States could administer the Post Office Department better than the Government does?

Mr. ELMQUIST. I am not making any criticism of—

The CHAIRMAN. I thought you said they did?

Mr. ELMQUIST. No.

The CHAIRMAN. What did you say, then?

Mr. ELMQUIST. I said, perhaps, I felt we might have better service if the local communities were permitted to select their postmasters and not to make them the political football of the administration.

The CHAIRMAN. I am not talking about the postmasters; I am talking about the Post Office Department; I think you are right about the postmasters.

Mr. ELMQUIST. I am glad we agree on something.

Mr. AYRES. I do not think it would be right, because the civil service is selecting them now.

The CHAIRMAN. I think it would be right, and I have favored that for 15 years; and for the same reason I think it would be for the best interests to let the Federal Government administer the Post Office Department than 48 States; but you think otherwise on that proposition. Now, if they can and do administer as an adjunct to the Post Office Department, couldn't they administer the telegraph and telephone service just as effectually and to the better interests of the whole interests of the United States than those 48 separate utility commissions could control it?

Mr. ELMQUIST. Does your question embrace all the telephone companies?

The CHAIRMAN. All the telephones necessary to the Postal System. There are thousands of those little telephone companies suggested in one of these telegrams here to-day that affect the farmers' organizations which are not affected by the resolution, as I understand it.

Mr. ELMQUIST. I do not know what you consider to be the telephones necessary to the Postal System.

The CHAIRMAN. That is a matter for the department.

Mr. ELMQUIST. I do not know whether it would help the public in any way to have some of the toll systems belonging to the Federal Government.

The CHAIRMAN. You are opposed to the Federal control of these matters, even though it be authorized by the Constitution of the United States, and are in favor of State control, are you?

Mr. ELMQUIST. I have stated that even if the Federal Government controls or owns and operates the telephone companies, that there should be a decentralized control to take care of local questions.

The CHAIRMAN. Here is a proposition which is unlike any other proposition, if I may state my view of it, of Government control of this means of the transmission of intelligence, which under the Constitution, as I understand it, belongs to the Federal Government; and under the law the act of July 24, 1866, provision was made for the return of the telegraph to the Government of the United States. The United States had owned it before the Civil War, and when the Government of the United States, or when Congress passed that statute on July 24, 1866, permitting the invasion of Federal rights on this question by private individuals, there was placed in the act a third section that provided for a return of these properties under certain conditions to the Government, of the control of them by the Government, and ownership of them by the Government. Now, that was a part of the postal system. Now, you think that that ought not to be done, although the telegraph companies took their control with that understanding? I understand that you think now that that ought not to be done, but the private individuals should continue to control a thing which is clearly a constitutional adjunct of the Post Office Department?

Mr. ELMQUIST. I do not think that any such vast undertaking as the permanent Government ownership of either the telephones, telegraphs, or the transportation systems of the country should be acted upon by Congress until the public sense of the people of the United States is thoroughly understood upon that question.

The CHAIRMAN. I think that is probably true.

Mr. ELMQUIST. It is perfectly certain that condition does not exist to-day. These wires were taken over for military purposes and for those purposes alone, and the people have not had a chance to pass upon that question and will not have during the period of control.

The CHAIRMAN. You speak from the position of the department, as I see?

Mr. ELMQUIST. I construe the act according to its language and according to the testimony of the members of the Cabinet who appeared before the committee, and the discussion of members on the floor of the House and the Senate; and as I read the language of the record, it all points to the fact that this was a military necessity and that alone.

The CHAIRMAN. You know the courts now are determining that question; it does not make much difference what Congress or anybody else thinks about it, the courts will determine it. And I have referred to those matters of permanent control, not that this resolution seeks permanent control by the Government of these utilities at this time, but for the purpose of doing the very thing that you think ought to be done, calling your attention to the fact that there should be a trying out of this question of Government control of these wires until the people and the Congress are all satisfied as to whether we should resume control over the telegraph or whether we should leave it in private hands. Don't you think it would be better to try out this question after the close of the war?

Mr. ELMQUIST. No, I think that would be breaking faith with the American people. You took the properties over for certain reasons and when those reasons have ended they ought to be returned.

The CHAIRMAN. Suppose that has happened which you say has happened, that the companies were in a worse fix than they were before the Government got hold of them. Ought not the Government to hold on to those companies until a condition can be brought about by which they can be returned without loss?

Mr. ELMQUIST. What has that to do with the question of military necessity now that the war is over?

The CHAIRMAN. It has not anything to do with the military necessity.

Mr. ELMQUIST. Then you and I do not agree.

The CHAIRMAN. This is in order that it can be looked upon in times of peace.

Mr. AYRES. And ultimately ownership of them.

The CHAIRMAN. And ultimately ownership of them; and we want to know the facts as to whether there should be ultimate ownership, and ought not that to be tried out?

Mr. ELMQUIST. I think the people are very competent to pass upon that question without the Government owning and controlling the plants.

The CHAIRMAN. Yes; you are for the utilities commissions. Nevertheless, let us pass on. You said that the charges under the Government control were higher than they were under private control?

Mr. ELMQUIST. Yes, sir.

The CHAIRMAN. Isn't it true that the price of labor and material and all that is necessary to the proper administration of this service has become very much higher than it was before, and wouldn't it have been necessary for the companies themselves to raise the rates as the Government has done?

Mr. ELMQUIST. I do not think there has been any substantial increase in the price of material or the cost of labor since the 1st day of August last year.

The CHAIRMAN. You do not? Well, everybody else thinks there has been.

Mr. STEENERSON. No, not a bit.

Mr. RAMSEYER. You are the head of an organization composed of the various State utilities boards?

Mr. ELMQUIST. Yes, sir.

Mr. RAMSEYER. How old is this national association of which you are head?

Mr. ELMQUIST. About 35 years.

Mr. RAMSEYER. And how long have you been its head?

Mr. ELMQUIST. I was elected last year.

Mr. RAMSEYER. How long has this national association maintained an office here in Washington?

Mr. ELMQUIST. For the last two and a half years.

Mr. RAMSEYER. Your home is in Minnesota?

Mr. ELMQUIST. Let me answer that about three years ago the national association decided to appoint a valuation committee, giving that committee authority to select a solicitor and such other employees as they deemed necessary to assist the Federal Government in making the physical valuation of the railroad properties. We first selected the Hon. Clyde B. Aitchison, of Oregon, as solicitor. He served from May until October of the following year, when he was made a member of the Interstate Commerce Commission; and then I was selected as his successor, and have been here since the 15th of November, 1915.

Mr. RAMSEYER. You have had your office here?

Mr. ELMQUIST. Yes, sir.

Mr. RAMSEYER. Are you a member of the Minnesota State Utilities Board?

Mr. ELMQUIST. I am not now a member.

Mr. RAMSEYER. Do you hold any office except the head of this national association?

Mr. ELMQUIST. That office; and I am general solicitor of the national association and paid by the national association.

Mr. RAMSEYER. Are you paid as solicitor or as president, or both?

Mr. ELMQUIST. Paid as solicitor.

Mr. RAMSEYER. You are also the president?

Mr. ELMQUIST. Yes, sir.

Mr. RAMSEYER. These State boards or utilities commissions—do they have supervision over other matters besides wires; that is, telegraph and telephone wires?

Mr. ELMQUIST. Forty-seven of them have control over the rates and service of railroads and express companies; many of them have control over water power companies, electric power companies, gas companies, and street car companies.

Mr. RAMSEYER. If the National Government should take over or continue the control and ultimately own the wires, that of itself would not put your commissions out of business?

Mr. ELMQUIST. I do not think it would affect the life of a single commission.

Mr. RAMSEYER. Of course, naturally it would take away some of their powers?

Mr. ELMQUIST. Yes; but it would not take their power away; their tenure of office would not cease by reason of that action.

Mr. RAMSEYER. Their tenure of office would not cease by reason of that action; but naturally some of their power would be gone?

Mr. ELMQUIST. Some of their powers of regulation would be taken from them.

Mr. RAMSEYER. That is what I mean.

Mr. ELMQUIST. Yes.

Mr. RAMSEYER. Now, Mr. Elmquist, the proposition before the committee is not only one of indefinite, continued control, but there will

undoubtedly motions be made here in the committee to continue the Government supervision for two or three years. Have you any recommendations to make this committee, in view of the fact that the committee might decide to report out a bill to extend this control for a definite period, and Congress might adopt that recommendation? Assuming that will be the course of the committee, have you any recommendations to make to safeguard the interests of the people, conceding that such a contingency will arise?

Mr. ELMQUIST. In my judgment, the interest of the people will be best subserved by having the property restored to private management just as quickly as it can be done.

Mr. RAMSEYER. That does not answer my question, Mr. Elmquist. You know the control of the railroads will remain in the possession of the Government for 21 months after the treaty of peace is signed. Now, assuming these properties will continue in the control of the Government, say, until two years after the treaty of peace is signed, have you any recommendations to make to the committee to safeguard the interests of the people during that two years? It is a hypothetical question.

Mr. ELMQUIST. I will say if that is so, that the law should clearly express in language that even the Postmaster General can not misunderstand, that all tolls regulations, including the right to regulate intrastate rates and service, shall be left with the State commissions.

Mr. RAMSEYER. That answers my question. That is what I tried to get from you before.

The CHAIRMAN. You say that even the Postmaster General will understand that. Now, there are perfectly good lawyers that understand it like the Postmaster General does, and the question I want to ask you now is, How would the Postmaster General have control under that law at all, if he had to submit his conclusions to 48 States?

Mr. ELMQUIST. The simplest thing in the world; he simply could have said to the telephone companies, "I believe you ought to have so much additional revenue; the operating conditions point to the necessity for increased revenues. File your rate schedules with the State commissions and ask them to approve them." Then, let those applications be supported by the recommendations of the Postmaster General, which would clearly set forth the facts upon which his recommendation was made, and you would have found, sir, that the State commissions would have been alive to the situation and would have met it promptly, but they would have done it after having made some investigation.

The CHAIRMAN. Yes; but supposing they had not been alive to the situation and had not done it, which is most probable in view of the fact they are antagonistic to the department, how would the Federal Government have gotten on with it?

Mr. ELMQUIST. There has got to be—

The CHAIRMAN. Oh, answer my question.

Mr. ELMQUIST. Well, even if they had not acted promptly, if the telephone company needed more revenues, it had its remedy in court.

The CHAIRMAN. Yes; the telephone company had its remedy in court, and you would have had a conflict from the very beginning to the end of the department with 48 States.

Mr. ELMQUIST. You would have had nothing of the kind.

The CHAIRMAN. You are bound to have had it, if they had not agreed.

Mr. ELMQUIST. You would have had nothing of the kind, because the State commissions, sir—

The CHAIRMAN. You are just assuming that the commissions are going to do that thing.

Mr. ELMQUIST. The State commissions are just as able to analyze figures and facts as any Federal commission, and are just as awake to their responsibilities, sir, as any Government officer.

The CHAIRMAN. They are just as certain to have differences, too.

Mr. ELMQUIST. I observe there are differences even upon this committee.

The CHAIRMAN. You will admit that 48 commissions never could control a situation like that line one man could. Now, if the Federal Government is not to have any control at all, then your position that the States control it is all right; but if the Federal Government is to assume authority in this matter, it would seem to me that the Federal Government ought to be the deciding power and not have a diffusion among 48 States as to what ought to be done, even if most of them had agreed as to certain rates, which is not likely.

Mr. ELMQUIST. All of us thought, Mr. Chairman, when you passed the resolution that Congress itself clearly stated that the States should exercise the police powers, even over rates.

The CHAIRMAN. You might have thought so, and others, too; but, as I said, that is a question for the courts, upon which there has been a conflict of opinion.

Mr. MADDEN. I would like to ask one question right on the line of what you have been testifying: If the ascertainment of the facts upon which the Postmaster General should decide to base rates, either to increase or decrease rates, could be had through the public utilities commissions of the States, isn't it more likely that we would be able to get an equitable adjustment of the rates than in any other way?

Mr. ELMQUIST. You would have an adjustment based upon the facts in that case.

Mr. STEENERSON. Has the density of the population in the different States anything to do with the rates that prevail—telephone rates?

Mr. ELMQUIST. I believe that in some of the sparsely settled States that you will find a higher toll rate than in the largely settled States.

Mr. RAMSEYER. You do not make different rates for different parts of the same State, or you do not know of any commission that does that?

Mr. ELMQUIST. Toll rates?

Mr. RAMSEYER. Yes.

Mr. ELMQUIST. No; the toll rates, as the commission makes them, are graded up on the mileage basis.

Mr. RAMSEYER. And these utility commissions do not undertake in any case to regulate interstate rates?

Mr. ELMQUIST. Not at all.

Mr. STEENERSON. How many kinds of rates are there—you speak of toll rates?

Mr. ELMQUIST. Well, there is the exchange rates.

Mr. STEENERSON. Is that all—exchange rates and toll rates?

Mr. ELMQUIST. The exchange rate, of course, is purely a local rate, for which you pay a monthly rental; the toll rate is one that goes from one exchange to another exchange.

Mr. STEENERSON. Is that what is popularly called long-distance rates?

Mr. ELMQUIST. Long-distance rates.

Mr. STEENERSON. Those are the two kinds of rates?

Mr. ELMQUIST. Yes, sir.

Mr. RAMSEYER. In your State, for instance, in Minnesota, have you any other interstate telephone systems besides the American or the Bell that does an interstate business?

Mr. ELMQUIST. We have the Bell system. The system there is the Northwestern Exchange Co., a part of the Bell system. Then we have the Tri-State Co.

Mr. RAMSEYER. It does an interstate business?

Mr. ELMQUIST. It also does an interstate business. Then there are some smaller exchanges there on the border towns, whose lines extend out into the adjoining States to some extent.

Mr. RAMSEYER. Just small companies?

Mr. ELMQUIST. Very small companies.

Mr. RAMSEYER. And you say you have 1,600 independent companies within the State of Minnesota doing an intrastate business?

Mr. ELMQUIST. I will give you the correct figure; 1,865 that we have a record of.

Mr. RAMSEYER. Do you know from your study of telephone conditions all over the United States whether that is generally true or not in all the States; that is, whether they have a large number of small companies?

Mr. ELMQUIST. No.

Mr. RAMSEYER. Doing an intrastate business?

Mr. ELMQUIST. No. Up through the New England States there is a very small development of that kind. I think the large rural telephone development is found out through the Central and Western States.

Mr. RAMSEYER. Those eighteen hundred and some companies you speak of in Minnesota, are those mostly mutual companies, not run for profit?

Mr. ELMQUIST. Yes.

The CHAIRMAN. I want to ask you some questions along this line: Where a company is doing business—telephone business—in two or three States, then, of course, the different State utility commissions have different rates prescribed. How do you manage in that sort of a case?

Mr. ELMQUIST. Minnesota makes the rates for the company doing business between stations within our State.

The CHAIRMAN. The parent company is in Minnesota here, and suppose they are doing business across the line and another State has different rates; do you observe the rates of the other State there?

Mr. ELMQUIST. We have nothing to do with the interstate rate.

The CHAIRMAN. I know; but how do you manage to run your company is what I want to know? You give—for instance, take Virginia and Tennessee, right down here; there is a city of 15,000 or 20,000 people on the line; the telephone company in one State, a resi-

dent of the State of Tennessee; it may have one rate, and it is doing business right across the street in Virginia, where there is another rate. Now, does your company, under those conditions, observe the two different State rates?

Mr. ELMQUIST. I presume in the case you mention that is all operated by one exchange and they are having their small local exchange rate, upon which they pay a monthly rental.

The CHAIRMAN. Yes; but suppose it conflicts with the laws of one of the States, how do you manage it; do you observe the laws of both States?

Mr. ELMQUIST. If there was an exchange that had a lot of subscribers in one State, and a lot of subscribers right across the line in another State, I can very well see how the commissions might say what the rental shall be in each of those States.

The CHAIRMAN. Yes.

Mr. ELMQUIST. Dependent upon operating conditions, value of properties, and cost of service.

The CHAIRMAN. But the company could not change the rate; it would have to be according to the laws of the two States?

Mr. ELMQUIST. Yes.

The CHAIRMAN. So, right in one city, then, you might have one rate on one side of the street and right across the street have an entirely different rate?

Mr. ELMQUIST. You might have.

The CHAIRMAN. Now, is that a good business condition?

Mr. ELMQUIST. I do not know of that condition existing anywhere.

The CHAIRMAN. But it does exist; it exists wherever there is a border city. It exists at Cincinnati, and in Bristol, in the town I live in, and in a number of places.

Mr. ELMQUIST. There might be some objection, because the chances are you have a local exchange in each one of those cities, in which each exchange, perhaps, has a different installation and different operating conditions.

The CHAIRMAN. The man on one side of the street who telephones gets one rate, and a man on the other side of the street, right in the same city, gets another rate.

Mr. ELMQUIST. If he has to cross the line, it would be the toll rate, and he would pay the rate which the other State has because of the different operating conditions or climatic conditions.

The CHAIRMAN. It does not make any difference in the cost of operating across the street.

Mr. STEENERSON. You do not know to-day of any difficulty of that kind, do you?

Mr. ELMQUIST. Not at all.

STATEMENT OF MR. FRED W. PUTNAM, MEMBER OF THE RAILROAD AND WAREHOUSE COMMISSION OF MINNESOTA.

Mr. PUTNAM. Under the law of the State of Minnesota, as passed by the session of the legislature in 1915, our commission has jurisdiction over the telephone properties within the State. We have power to fix rates or to improve service, to take care of the physical connections between different properties and exchange properties,

to grant indeterminate permits, and all transfers of telephone properties must be approved by the commission before they become effective.

I would like to read just a short statement in the annual report of the telephone department of our commission for the year ending November 30, 1918. This statement gives some statistics in regard to the condition in Minnesota and probably will throw some light upon my testimony afterwards.

There are not 1,719 telephone companies on record in this office.

Now, that will not agree with the figures that I will present here from our statistician, as the figure there is taken for the year ending December 1, 1918, and our statistician's figures are taken from the reports filed December 31, 1918, so that the later reports are more correct.

Mr. STEENERSON. That is November?

Mr. PUTNAM. That is as of November, 30.

Mr. STEENERSON. And his figures are as of December 31?

Mr. PUTNAM. It is really as of the 1st of January. His statement is compiled January 18 from the reports filed January 1.

There are now 1,719 telephone companies on record in this office. We have reason to believe that there are quite a number, recently organized, of which no records have reached this office. This matter will be fully investigated in the immediate future. More or less complete reports have been received from 1,606 companies.

During the past 12 months the department has received 444 applications and complaints relating to telephone matters. These are classified as follows:

Forty-five complaints and petitions relative to rates and service—

Those complaints are in regard to service and rate conditions. They are not applications for increase in rates, but complaints by subscribers because of some local condition; they are complaints which if you had Federal control you would have to come to your department in Washington.

Twelve applications for indeterminate permit to operate local exchanges in cities and villages.

One hundred and twenty-seven applications for changes in rates, rules, and regulations.

That is, your applications for increase in telephone rates. A great many increases have been allowed by the commission during the past year.

Mr. RAMSEYER. Increases of rates, you say?

Mr. PUTNAM. Increases of rates.

Mr. RAMSEYER. Because of the increased cost of service?

Mr. PUTNAM. Because of the increased cost of service.

Eight petitions for the installation of telephone service in railway stations.

That is another line of work the commission takes up in providing telephone service in the country districts.

Nineteen applications for permission to purchase or consolidate telephone properties.

There has been a very decided movement toward consolidation of properties and unifying the service.

Ten petitions for physical connection between telephone systems.

That is where there is an application for the local exchange to connect with a toll line property so that the subscribers to the local exchange can gain the benefit to the local properties of the State.

Two hundred and twenty-three applications and inquiries relating to various miscellaneous telephone subjects.

They are complaints and matters and things of that sort of which we have record. That makes a total of 444. Besides those, there are numerous questions that arise every day, informally, over the telephone, which are adjusted by getting in direct communication with the officers of the telephone companies and are adjusted on the spot.

The records of the department indicate an investment in telephone properties within the State of Minnesota of \$45,671,957. Of this total, the Northwestern Telephone Exchange Co. and the Tri-State Telephone & Telegraph Co. control approximately four-fifths.

That is, the two large companies.

Mr. STEENERSON. That is the Bell Co.——

Mr. PUTNAM. The Northwestern Co. is the Bell Co. and the Tri-State Telephone & Telegraph is the independent company. The property of the Northwestern Exchange Co. is approximately \$23,000,000 within the State, and that of the Tri-State Co. approximately \$12,000,000.

The CHAIRMAN. What is the Bell Co.?

Mr. PUTNAM. That is the Northwestern.

The CHAIRMAN. That is \$23,000,000?

Mr. PUTNAM. About \$23,000,000. It is practically one-half of the properties in the State.

The CHAIRMAN. May I ask you right there: Do you know the position of the Bell Co. on the proposition?

Mr. PUTNAM. On the retention of control?

The CHAIRMAN. Yes.

Mr. PUTNAM. I have been informed by the management of the Northwestern Co., which, of course, is the local management in that territory, that they do not desire the continuation of the Federal control.

The CHAIRMAN. Who is the president of that company?

Mr. PUTNAM. Mr. Yost, of Omaha.

It appears that there are 395,789 telephones in actual use in Minnesota, of which 99,439 are installed in farmhouses, with 296,350 in the cities and villages. The number of farms in Minnesota as given by the Commissioner of Immigration is 156,137. It is thus seen that approximately 64 per cent of the farms in Minnesota are supplied with telephone service; in other words, 64 out of every 100 farms are connected with the extensive telephone web of Minnesota.

Mr. RAMSEYER. Are they farmers supplied by mutual companies?

Mr. PUTNAM. They are very largely farmers supplied by mutual companies. Now, I have some further statistics in regard to it.

The CHAIRMAN. All right.

Mr. PUTNAM. To convey telephone messages to the inhabitants——

The CHAIRMAN. Before you get away from that question. You say that that Northwestern Co. does not favor this proposition?

Mr. PUTNAM. Why, that is the information personally given to me.

The CHAIRMAN. What would you say of the question if you were reliably informed that Mr. Yost was in the Post Office Department just a few days ago urging it?

Mr. PUTNAM. That may be the fact. All I know is what I am told.

The CHAIRMAN. That is what I understand from the solicitor is the fact.

Mr. PUTNAM. Their attitude toward the State commission may be different than their attitude toward the Federal authorities.

Mr. RAMSEYER. All things to all men.

The CHAIRMAN. I do not know how that is. I just wanted you to understand in case the basis of your argument should drop out.

Mr. PUTNAM (reading):

To convey telephone messages to the inhabitants of Minnesota, some dwelling in the wilds of the far north, it has been necessary to construct 81,024 miles of pole lines and to string 250,610 miles of aerial wire, exclusive of wires carried in cable.

We have also prepared a statement in regard to the number of telephone companies, based upon the figures shown in our report. The total number of companies, 1,719; total number of switchboards operated, 637; total number of boards operated by the Northwestern Co., that is the Bell system, 105; total operated by the Tri-State system (that is the largest independent company), 46. The independent companies operate 354 switchboards; 303 of those companies operate one switchboard each and a total number of stations of 62,770 and with a book value of property of \$3,690,549. Of the 51 companies that operate more than one switchboard, they operate 103 switchboards, and they serve 62,196 stations, with the value of property \$3,804,674.

Then we have 1,363 companies that operate no switchboards. Those are the farm-line companies. The number of stations served is—

Mr. AYRES. They are connected up with what—the Northwestern Bell telephone, and the larger companies?

Mr. PUTNAM. Connected up with all the various companies. I might state in a great many instances you will find the independent company operating in the village and will own no properties outside of the village limits, but will connect with half a dozen farm lines, the properties owned by the farmers, and they pay a regular man a switching charge for handling the switchboard.

We have also prepared a statement of the companies in the State of Minnesota, according to the population of the towns, showing that in towns and villages under 5,000 population there are 506 towns served by telephone service; 289 companies operating, of which 84 are owned by the Northwestern Co., 27 owned by the Tri-State Co., and 411 are owned by independent companies. In towns of five to ten thousand, there are 14 towns served. Eight companies own their property, and the Northwestern operates seven and the Tri-State five of those exchanges, and the independent companies six.

In the larger towns of ten to twenty thousand, there are six towns served, three companies operating. The Northwestern operates three, the Tri-State three, and the independent companies one.

In towns over 50,000 there are three companies operating. The Northwestern operates two exchanges, the Tri-State one exchange, and the independent companies one exchange.

The classification of the companies, by the classification put out by the Interstate Commerce Commission, is as follows:

Class A, which includes companies where the annual operating revenues exceed \$250,000, there are two.

Class B, where the annual operating revenues exceed \$50,000, but not more than \$250,000, there are three.

Class C, where the annual operating revenues exceed \$10,000, but not more than \$50,000, there are 46.

Class D, where the annual operating revenues exceed \$10,000 or less, there are 240.

Class F, the farm-line companies, there are 1,574.

The total companies operating are 1,865 in the State of Minnesota.

The CHAIRMAN. Now, there has been no disposition or effort on the part of the Government to diminish this service, has there, in any way, or to disconnect those farm-line companies from the lines with which they are connected?

Mr. PUTNAM. I know of no disposition on the part of the Government at the present time to do that; but in view of the fact that the Government has taken over these larger companies and have not taken over companies which are classed as mutual companies it is very important in considering this problem to know what is going to be the attitude of the Federal Government in regard to these farm-line companies.

In the State of Minnesota, under an order issued by our commission, every telephone in the State is or very shortly will be connected with every other telephone. So that your farm-line companies can not be divorced from your main system, and are really a part of your telephone system. And the minute you take over your larger companies and do not take over the farm-line companies you are going to draw a line of demarkation there that is going to cause trouble in the telephone business.

The CHAIRMAN. Why should it do that when the Government is attempting to extend this service instead of destroy it?

Mr. PUTNAM. For this reason: There are farm-line companies now operated in the State of Minnesota which were started by 7, 8, or 10 farmers getting together and buying the wire and putting up the poles and buying the instruments. Those companies have continued to spread out until at present they cover the county, and sometimes more than one county, and they are operating exchanges and have extensive properties. They are operating telephone companies and yet are operated on the mutual plan. Now, where are you going to draw your line?

The CHAIRMAN. Do you know of any order made by the department that these lines shall not be taken over?

Mr. PUTNAM. From what was stated here this morning I inferred there were some lines not to be taken over.

The CHAIRMAN. Farm lines?

Mr. PUTNAM. Farm lines. And, of course, those mutual companies are operating farm lines.

The CHAIRMAN. If the farm lines get the communication with the attachments and phones they have and are not taken over, how can they complain about the matter?

Mr. PUTNAM. At the present time it is a question of what they shall pay in the way of switching charges which they are not now paying and what service shall be rendered to them at the switchboard with which they connect. At the present time the local man at the switchboard is the advisor of the farmers in handling their farm-line business, and it is a material help in the promotion of the farm-line development, and the assumption of the operation of those lines by the telephone company may materially change that relation.

Mr. STEENERSON. In what way will it change it?

Mr. PUTNAM. That the local man in charge of that company will not have the incentive to increase that business because of personal benefit to himself.

The CHAIRMAN. Oh, that is just an assumption, of course.

Mr. STEENERSON. The taking of the telegraph companies by the Government, notwithstanding the fact that some of those mutual companies may not be taken over, yet it does affect the business of the mutual companies?

Mr. PUTNAM. It does affect the business of the mutual companies; yes, sir.

Mr. STEENERSON. And will affect them?

Mr. PUTNAM. Yes, sir.

Mr. STEENERSON. And, in your opinion, adversely to the interests of the people interested?

Mr. PUTNAM. Yes, sir.

The CHAIRMAN. How is it going to affect them if the Government does not interfere with their connections and permits and encourages the extension of it under the order? How should it happen, in other words—

Mr. PUTNAM. You must bear in mind that these mutual companies in some cases are quite extensive; that their subscribers and telephones run into the thousands; that each subscriber to a telephone has the privilege of becoming a member of the corporation and participating in the benefits as a stockholder, and they are operated not especially for revenue but for the most economical telephone service possible.

The CHAIRMAN. The Government is not going to have anything in the world to do with that.

Mr. PUTNAM. They are operating those lines at monthly rentals ranging from 75 cents to \$1.25, and they are able to do that because of the time and labor that the members of the company place upon those properties themselves. When those properties were originally built, each farmer would go out and help construct the pole line, and that meant a material saving in investment and outlay by the farmers. And it is my opinion that if the Federal Government takes over these lines it will mean a material increase in the rates to the farmers.

The CHAIRMAN. That can still be done; there is not any question about that.

Mr. PUTNAM. One of the points that seems to be advanced by the Postmaster General for the retention of telephone properties is the elimination of the competition problem. I wish to call the attention of the committee to the fact that in the State of Minnesota, about May 1 last, there was issued an order which practically eliminates

competition within the State of Minnesota. The Northwestern Co., which is the Bell system, was given permission to purchase from the Tri-State Co. all the properties that the Tri-State owned north of a line drawn between Minneapolis and St. Paul, and running west to the western boundary of the State; the Tri-State Co. to purchase all the properties owned by the Northwestern south of that line. Upon the completion of the physical connection of those properties there will remain in the State of Minnesota about 10 competitive points. Those are cases where there are independent companies operating against either the Tri-State Co. or the Northwestern Co. And negotiations are on at the present time for the consolidation of those properties; so that in a very short time, under State regulation, we will have accomplished one of the items that the Postmaster General claims can be accomplished under Federal control, and we will have accomplished that without any expense to the State or the Government.

The CHAIRMAN. That may be so it might be accomplished in Minnesota, but I understand in Pennsylvania and other States there is a constitutional prohibition against doing anything of that sort.

Mr. PUTNAM. I am stating what is being done in the State of Minnesota.

Now, the local problems that are considered by the commission deal with all phases of telephone management, service and rates, and conditions. If it is a question of some place the individual desires to become a subscriber to a line and the company will refuse service, we have the power to order that service in. Some times it becomes a question of discrimination in rates or poor service, and we have the power to make investigations and to order new service, new rates, or the amendment of poor conditions.

The CHAIRMAN. Has it become necessary to increase your rates any in Minnesota?

Mr. PUTNAM. We have increased our rates considerably and especially of the smaller independent companies, but not in the larger companies. The centralization of control in Washington practically eliminates the opportunity for the general public to be heard, and the comparison can be made with postal conditions in St. Paul and Minneapolis, where deliveries of first-class mail from one part of the city to another may be delayed from one to two days. This condition has existed for several years. If the individual could personally see a local board or authority with the power to act, undoubtedly this postal problem would be solved, but at the present time the persons in authority are too far away.

The CHAIRMAN. Are you speaking now of the postal system?

Mr. PUTNAM. I am simply comparing that situation where there is a very lax movement of the delivery of mail which is mailed at our office to offices in the city of St. Paul, and those communications may not be delivered until 24 or 48 hours later.

The CHAIRMAN. You feel if that control over the mail was not in the Federal Government, but in your commission, you could regulate it so as to have a better service?

Mr. PUTNAM. We feel that the local party receiving that mail would have an opportunity to present his case and to be heard. As it is at the present time, it is necessary for him to go to the expense

of coming to Washington, and it is too great an outlay for the trouble he is put to.

The CHAIRMAN. You are against the postal system being operated, then, except by the States?

Mr. PUTNAM. I am not here discussing the postal system.

The CHAIRMAN. You brought up that illustration.

Mr. PUTNAM. There will also be the question in the operation of the telephones as to the demands for future extensions. In a city like Minneapolis, which is growing very rapidly, it requires an immense amount of capital to continue to develop the property according to the public demands. Some one must finance that situation. The financing of that situation is going to depend upon the action of parties here in Washington, if you have it under Government control. And if that development depends upon action in Washington, it depends upon the political influence that can be brought to bear to require your department to do it. The experience of the Minnesota Railroad Commission in regard to railroad properties being federally controlled is that the only manner in which we could obtain any real results was through the influence of representatives from the State of Minnesota and not by presentation of the facts to local representatives of the railroad administration in the State of Minnesota.

The CHAIRMAN. What is the present rule in reference to the local applications for an extension of service? Under the present law you make application to the Postmaster General, stating the facts, don't you?

Mr. PUTNAM. I do not understand the question, Mr. Chairman.

The CHAIRMAN (continuing). For any betterments in the service?

Mr. STEENERSON. What service—telephone?

The CHAIRMAN. Postal or telephone service.

Mr. PUTNAM. I presume the complaints go to the Postmaster General.

The CHAIRMAN. The complaints go to the Postmaster General, and there would be a uniformity of decision as to those questions everywhere?

Mr. PUTNAM. I presume there would be a uniformity of decision; which would mean the failure to adjust the matter to the local problems.

Mr. MADDEN. And uniformity of delays.

Mr. PUTNAM. The experience of our commission during the Federal administration of the telephone properties—and I wish to state right here, in view of some of the questions asked of Mr. Elmquist, that I am here not so much as a representative of the State commission but as a representative of subscribers in the State of Minnesota—that since the order establishing and promulgating the proposed telephone rates was issued and that order has come into the hands of the local telephone users, such as business men of St. Paul and Minneapolis, commission men, wholesale houses, and jobbing houses, I have interviewed representatives of those various associations, and they have come to my office to see me, and they have all urged our commission to take such steps as we could to have the facts presented to the proper authorities to show how Government control of those properties is a detriment to the telephone subscriber in the State of Minnesota.

Mr. MADDEN. Will you be kind enough, if you have the facts, to state just exactly what those new orders for an increase in the toll rates mean?

Mr. PUTNAM. I have a schedule which I desire to file a little bit later. I have with me our telephone supervisor who prepared the schedule, and you can ask him the questions.

Mr. MADDEN. I want to ask the difference between the rates as they existed before and as prescribed at the present time, and between the lines of the different connections as they describe them in the order.

Mr. PUTNAM. The Minnesota Railroad Administration has made a study of telephone questions since it has had jurisdiction over the properties, and when the Federal Government assumed control of those properties we tried to ascertain what facts occurred, the war necessity for the same, and we are here to say that the commission knows of no fact that in any way tended to create such a necessity. The telephone properties in the State of Minnesota were ample and able to meet all demands placed upon them by the numerous war users and also served the public.

Mr. AYRES. What is that?

Mr. PUTNAM. I say the telephone properties, the properties owned by the telephone companies in the State of Minnesota, were ample and able to meet all demands placed upon them by the numerous war agencies and also served the public.

Mr. MADDEN. Have they been improved any since the Government took control?

Mr. PUTNAM. I wish to say since the Government has taken control there has been a decided falling off of the service conditions.

Mr. AYRES. As I understand from your answer there, of being able to meet all the demands, that means simply the demands of the patrons of the phones, does it?

Mr. PUTNAM. That means they are able to furnish communication and service whenever requested.

Mr. AYRES. Let me ask you this question: Were they able to meet all the demands of the labor, of the operators of the telephone system in St. Paul and Minneapolis?

Mr. PUTNAM. They were up to the time of the Federal control.

Mr. AYRES. Up to the time of the Federal control?

Mr. PUTNAM. Yes, sir.

Mr. AYRES. Has the Federal Government decreased the salaries or wages of the employees of the telephone companies in St. Paul and Minneapolis?

Mr. STEENERSON. He was not referring to salaries.

Mr. AYRES. Salaries of operators?

Mr. PUTNAM. I will be glad to go into that if you desire. Since the Federal control of the telephone properties there has been a decided labor movement among the telephone employees, in which the operators have been organized, the electrical experts organized, and they have made demands upon the telephone companies for increases in wages. I attribute that demand for increases in wages partially to the natural tendency of the increased cost of living, and perhaps a very large percentage of that demand is due to the fact that the Government is operating those lines, and the employees feel they can compel the Government to give them a higher wage.

Mr. AYRES. Were not those demands made before the Government took control of the lines?

Mr. PUTNAM. They were not to my knowledge.

Mr. AYRES. I do not mean during the war, but prior to that time?

Mr. PUTNAM. Those demands from my information, and this means information told to me by the managements of the telephone companies, were made after August 1, 1918.

Mr. AYRES. Let me ask you this question: If the salaries of the operators or of the employees or the daily wages of those telephone employees have been decreased in any manner whatever since the Government has taken control of the matter?

Mr. PUTNAM. I believe not.

Mr. AYRES. Now, you have a strike on, I believe in Minneapolis and also in St. Paul?

Mr. PUTNAM. Yes, sir.

Mr. AYRES. On account of a demand for higher wages, which was not acceded to by the Government?

Mr. PUTNAM. Yes, sir; and that strike was practically settled by an agreement between the representatives of the telephone employees and the managements of the companies. One of the conditions of that agreement was that those that had been out on strike should be returned to the employ of the companies.

Mr. AYRES. How is that?

Mr. PUTNAM. That the strikers should be returned to their positions.

Mr. AYRES. That is, reinstated or reemployed?

Mr. PUTNAM. Reemployed. Before the final confirmation of that agreement the managements of the telephone properties in the State of Minnesota received a message from Mr. Burleson in which he instructed them not to reinstate any of the employees who had been on strike more than 24 hours. If that message had not been sent, undoubtedly the strike would have been settled early in December and we would have been through with the difficulties of poor service.

Mr. AYRES. From what source did you receive that information?

Mr. PUTNAM. I was shown the telegram by Mr. Belt, the manager of the Northwestern Telephone Exchange, which he received from Mr. Burleson.

Mr. AYRES. Did you see any communication from Mr. Belt to the department in regard to that matter?

Mr. PUTNAM. No; I did not.

Mr. AYRES. You do not know what representations were made by Mr. Belt or anyone else to the Post Office Department relative to those matters?

Mr. PUTNAM. Except what I have stated and what they told me.

Further, the commission kept in constant touch with the Federal administration and the wire lines and studied the orders issued by the Postmaster General, and the commission fails to find a single act that has been performed or accomplished by the Federal Government in its management of the wire lines that has in any manner aided in the prosecution of the war. The only order that I have seen, and I believe I have seen them all, that the Postmaster General has issued, based upon the war necessity, was the order creating the installation fee. He based that order upon the necessity of curtailing the additions to the properties.

The CHAIRMAN. Have you got that order?

Mr. PUTNAM. Yes; I have a copy of that order here; I believe we have it with us.

Mr. STEENERSON. We will furnish it.

Mr. PUTNAM. That is the only order which I know of in which war necessity was even mentioned.

The CHAIRMAN. When was that order that required them not to reinstate the men after 24 hours; what was that based on?

Mr. PUTNAM. You mean the telegram that was shown to me?

The CHAIRMAN. Yes.

Mr. PUTNAM. I do not know, Mr. Chairman, except, of course, the commission at that time was doing all it could to get telephone service within the State of Minnesota.

The CHAIRMAN. It was based upon the law, wasn't it, to prevent these things—these strikes?

Mr. PUTNAM. I am not familiar with that.

Mr. AYRES. Wasn't it a fact that telegram was sent soon after the strike, and it gave those employees 24 hours in which to return to work, with the distinct understanding if they did not return to work within 24 hours they would not be reinstated?

Mr. PUTNAM. That may be the situation. But I do know after a agreement had been entered into it was overturned by an order of Mr. Burleson.

Mr. AYRES. You say an agreement entered into. Was there an agreement entered into between the telephone companies or managements and the employees for a reinstatement of all the help?

Mr. PUTNAM. I understand that is the case.

Mr. AYRES. Are you positive of that information?

Mr. PUTNAM. That is the information I received from the management of the Tri-State Co. and the management of the Northwestern Exchange Co. of the State of Minnesota, and was told to me in my office in the State of Minnesota.

The CHAIRMAN. Suppose there is no record of that order and the department says it is not true; what have you to say about it then?

Mr. PUTNAM. I saw the telegram sent by Mr. Putnam.

The CHAIRMAN. I am talking about rigging up the agreement.

Mr. PUTNAM. I believe besides that statement there was a notice in the newspapers, and if I remember correctly I believe I was informed that some of the operators presented themselves at the offices of the companies expecting to be reinstated.

Mr. STEENERSON. You mean the strikers?

Mr. PUTNAM. Yes, sir. At the time that installation fee order was issued, it was the contention of the commission—and I believe it is a fair contention—that other Government agencies, or the Postmaster General by an order of his own—which I believe there was some such order issued—could have curtailed construction work requiring any great amount of material or supplies. The commission believes that the Federal administration has in several instances performed acts that have tended to handicap the general public in carrying on its activities and also its war activities. One of those acts is the installation fee order.

The CHAIRMAN. What were they?

Mr. PUTNAM. One of those acts was the installation-fee order, which was order 1931, which established an installation charge rang-

ing from \$5 to \$15, dependent upon the monthly rental of the telephone. Our commission made a protest to that order, which was printed and has been given some publicity.

The CHAIRMAN. That is a narration of the differences between the Postmaster General and your commission?

Mr. MADDEN. The establishment of an installation charge was an innovation, wasn't it?

Mr. PUTNAM. Yes, sir.

Mr. MADDEN. It never had existed before?

Mr. PUTNAM. Not to my knowledge.

Mr. STEENERSON. Not in Minnesota.

Mr. MADDEN. Not anywhere else.

Mr. PUTNAM. In the issuance of this order, it is my belief that the larger telephone companies were desirous of placing into effect an installation charge and believed it was a good time to try out the plan, and they persuaded the Federal administration to place in effect the charges under order 1931. The prophecy of the Minnesota commission as to a reduction of telephone subscribers, due to this installation-fee order, was clearly borne out by the records of the Northwestern Telephone Exchange Co. In this objection that we filed with Mr. Burleson we stated there would be a reduction of telephones in the State of Minnesota in the neighborhood of 40,000 to 50,000 subscribers during the period of a year. The records of the Northwestern Telephone Exchange Co. show that during the month of October they lost 2,200 subscribers—a net loss. Now it is impossible to measure the additional loss that might arise, due to the natural increase of users of telephones within the State.

Mr. RAMSEYER. Why that loss?

Mr. STEENERSON. It was too expensive.

Mr. PUTNAM. The loss was due to the fact—I can quote some figures which I have in this objection that we filed here. I might state that on this installation charge I conducted a hearing, based upon the application of the Northwestern Exchange Co., in the month of July, asking for an installation charge, and the figures that are quoted in this objection are the figures presented at that hearing by the telephone company. According to the testimony of the company at said hearings, there is a gain of one subscriber for every six or seven installations. In other words, where there are six new installations there are five subscribers who discontinue the service. That the Northwestern Telephone Co., in the year 1917—

Mr. MADDEN. Let us get that so we will understand it: Every time they put in six telephones, five telephones are taken out; is that right?

Mr. PUTNAM. Yes; that is the experience of the Northwestern Co.

Mr. MADDEN. So that they gain one?

Mr. AYRES. Is that the usual occurrence?

Mr. PUTNAM. That is the usual occurrence, and that is based on the figures for 1917.

Mr. MADDEN. That is the practice; it is just like gas meters. Where a man moves, he takes out the meter, and if he moves to a new place he wants a new installation.

Mr. PUTNAM. Yes, sir.

Mr. MADDEN. And where you make six new installations, there are five removals; that is the point?

Mr. PUTNAM. Yes, sir. That during the year 1917, on the Northwestern Exchange Co.'s lines, there were 42,350 new installations made, and that as an average for the State of Minnesota, based on the Northwestern property (about one-half the total properties in the State), there will be about 85,000 new installations, and upon those figures we figured there would be a discontinuance of about 75,000 stations, leaving a net gain, in normal times, of 10,000 subscribers during the year. And based upon our general knowledge of the situation, we estimate there would be a loss of pretty near 50 per cent of the total installations for the year 1917.

Mr. STEENERSON. You say that has been verified?

Mr. PUTNAM. That has been verified by the history of the Northwestern Co. for the month of October. If you take the month of October, 2,200 net loss, and extend it for the period of a year.

Mr. STEENERSON. And that is attributable to the high charge for the installation?

Mr. PUTNAM. Yes, sir.

The CHAIRMAN. Why was that; wasn't there a duplication of the phones on account of the different companies there, and then there was a consolidation?

Mr. PUTNAM. There has not been a consolidation of the properties in the city of Minneapolis?

The CHAIRMAN. Wasn't there a division of the territory?

Mr. PUTNAM. That division of the territory took place, the title passed as of July 1, 1918, but there is at the present time operated in the city of Minneapolis and the city of St. Paul two distinct telephone systems, so that the business men still have two telephones upon their desks. And that physical consolidation—

The CHAIRMAN. Wouldn't it have been better to have one system and one telephone?

Mr. PUTNAM. The order authorizing such a consolidation has been issued by the commission, and just as soon as war conditions permit it that consolidation will be made.

Mr. MADDEN. In answer to the chairman's question, I happen to be the owner of a little gas plant out West. It is the only gas company in the town, so that there can not be said to be duplications or competitions. The prices are regulated by the public utilities commission. We take out, for example, 5 or 10 meters to-day and we install maybe 4, or we may install 12. But the difference between what we take out and what we put in is the net loss or the net gain. Now, that is due to the fact the people are moving from one place to another. That same thing is true with respect to telephones. If a charge was made to those people every time you took a meter out or a telephone out and installed a new one, many of the people who use gas or telephones would cease to use the utility altogether.

Mr. PUTNAM. That is just the result.

Mr. AYRES. The same illustration: If there was another gas company and the two of you were to be consolidated, and one house or one place, a domestic user, had two gas meters, they wouldn't retain both of them, would they?

Mr. MADDEN. There is only one in this case; there is no competition.

Mr. AYRES. I understand; but there are two telephones in St. Paul and Minneapolis.

Mr. MADDEN. The same thing would apply.

Mr. AYRES. The Northwestern and the Bell Co. have consolidated in that territory?

Mr. PUTNAM. The Northwestern Telephone Exchange Co. is a Bell operating company.

Mr. AYRES. Well, the two telephone companies there have consolidated?

Mr. PUTNAM. There has been a division of territory.

Mr. AYRES. Now, what two companies are there—the Northwestern and what other company?

Mr. PUTNAM. And the Tri-State Telephone & Telegraph Co. The consolidation of the title to that property took effect July 1, 1918, but because of war conditions and the inability to obtain supplies those properties are still operated as they were prior to that time—as two independent exchanges.

Mr. AYRES. In the same territory?

Mr. PUTNAM. In the same territory.

Mr. AYRES. Both of them are operating in the same territory?

Mr. PUTNAM. Both of them are operating in the same territory and the same company is operating.

Mr. AYRES. Does that mean to say in one territory if the Northwestern was operating and that particular territory had been operated also by the Tri-State the Tri-State has, by reason of the agreement with the Northwestern, gotten out of that territory, but it still operates its phones in the same territory?

Mr. PUTNAM. That the Northwestern is operating the property formerly operated by the Tri-State; but they will operate that property—operate two competing exchanges—until such time as they can get the material and supplies to make the physical connections.

Mr. AYRES. Take the domestic user, for instance, or take a business phone, because he man in business usually has the two phones. If they had had two telephones and afterwards the Northwestern had gotten that territory, do you mean to say they would have put in a Northwestern phone and at the same time kept the Tri-State phone?

Mr. PUTNAM. There has been no difference in the operation of those properties because of the consolidation of the title to them; the telephone company has been forced to defer that consolidation of service.

Mr. RAMSEYER. They have not made the connection yet?

Mr. PUTNAM. They have not made the connection yet. Now, you take it over in the city of Minneapolis: There are about seven or eight Northwestern exchanges and five or six Tri-State exchanges, and it requires miles of cable to be run in order to make that physical consolidation, and it has been impossible to get that cable during the past six months.

Mr. AYRES. What I was trying to get at is whether or not the falling off of the subscribers is because some of the telephones have been taken out?

Mr. PUTNAM. Not in my opinion.

Mr. BEAKES. Haven't there been some consolidations in the State in the last six months?

Mr. PUTNAM. I believe in the city of Brainerd is the only place where there has been a consolidation in the last six months. There will be some consolidations in the next six months.

Mr. RAMSEYER. Even with the consolidation you explained on the 1st of July, 1918, do I understand that the services remain the same as they were prior to the 1st of July?

Mr. PUTNAM. Yes, sir; exactly.

Mr. STEENERSON. This consolidation was authorized by the State railway and warehouse commission of Minnesota?

Mr. PUTNAM. Yes.

Mr. STEENERSON. And approved by Attorney General Gregory before it went into effect?

Mr. PUTNAM. Approved by Attorney General Gregory before it went into effect; yes, sir.

Mr. STEENERSON. There is nothing in conflict with the antitrust laws.

Mr. PUTNAM. This installation charge under order 1931 has since been amended so as to make the maximum charge \$3.50.

Mr. BLACK. Right on that point, to save recurring to the matter later: If there is all of this turnover that you mention, do you not think there should be some installation charge fixed at a reasonable amount?

Mr. PUTNAM. In our protest to the Postmaster General, we stated that we would waive that question. It is a question that might be disputed and properly disputed, in my judgment.

Mr. BLACK. It occurs to me there ought to be a reasonable installation charge.

Mr. MADDEN. The question is, Is \$15 a reasonable installation charge?

Mr. BLACK. I think we will grant it is not. And the Postmaster General says the only reason he made it that amount was to check the telephone extensions at that particular time.

Mr. PUTNAM. I have gone into the question of the strike situation there, which I believe has been very detrimental to the telephone service in the Twin Cities. The telegraph service has suffered almost equally with the telephone service, as far as service conditions are concerned; and although we have no jurisdiction over the telegraph service, we receive very many complaints because of the delay in the delivery of telegrams.

Mr. STEENERSON. That is since the Government control?

Mr. PUTNAM. Since the Government control. Early in November the Northwestern Telephone Exchange Co. and the Tri-State Telephone & Telegraph Co. filed applications with our commission seeking an increase in their exchange rates and toll rates. One of the items contended for—

Mr. RAMSEYER. What year was that?

Mr. PUTNAM. This last November. One of the items contended for by the companies for their increase in rates was the allowance of a 6 per cent on their plant value for their depreciation reserve account. The records of the Northwestern Telephone Exchange Co., as presented to our commission, and a copy of those exhibits I have with me, show that during 16 years prior to September, 1918, the average charge to depreciation reserve was approximately 3.5 per cent of the book value of the plant.

Mr. MADDEN. They were asking 6?

Mr. PUTNAM. They were asking 6. Of the amount so appropriated to the depreciation reserve, 81 per cent of the amount so charged

to the depreciation reserve had been used by the company in replacing portions of the plant. At the time of this hearing the company had on hand in its depreciation reserve account \$3,653,718, which was 12.6 per cent of the plant value. This record would indicate that 3.5 per cent was a sufficient allowance for the depreciation reserve on the Northwestern properties. I wish to call this committee's attention to the fact that from the best information that we can obtain, Mr. Burleson has, in his contract with the Bell system, which included the Northwestern Telephone Exchange Co., for the State of Minnesota, allowed a depreciation reserve of 5.72 per cent.

The CHAIRMAN. You are reading from a prepared document on this subject, and you say from the best information you can get about it: We are not here to hear what your best information is about those things; we want to know what you know about it yourself.

Mr. PUTNAM. I am stating here what is told to me.

Mr. STEENERSON. It seems to me the committee is very anxious to know.

(After discussion by the committee.)

Mr. PUTNAM. This would mean an increase of 2.22 per cent in the one item of depreciation reserve of the Northwestern properties alone. The Northwestern properties amount to \$30,000,000, and that means on the Northwestern Exchange Properties, that by the allowance of a depreciation reserve in the contract given this company by Mr. Burleson, it increases the charge to the people of the State of Minnesota of half a million dollars.

Mr. AYRES. How much allowance had the commission allowed this company before?

Mr. PUTNAM. That problem has never been before the commission for its decision.

Mr. AYRES. Was it ever before it?

Mr. PUTNAM. The company formerly set aside an average of 3.5 per cent, covering a period of 16 years, and at the present time they have over 12 per cent of the book value of their property in their reserve fund. Upon those figures the commission found in that case that 3.5 per cent was a sufficient reserve for their properties. This increase of 2.22 per cent upon the plant value of the Northwestern Co. amounts to half a million dollars.

Mr. BLACK. Will you pardon me just on that point: Do you not think that some consideration ought to be given to business concerns now in the matter of setting aside reserves on account of the unusually high cost of construction?

Mr. PUTNAM. No. That will take care of itself as replacements are made and the capital account is increased. If you increase your depreciation reserve over and above the amount necessary to replace the property when it is worn out, so that it would be increasing the capital of the concern, then the earnings would have to be increased.

Mr. BLACK. I just wanted the argument on that point.

Mr. PUTNAM. The most economical way out of the position in which Mr. Burleson has placed the Government is to return the companies at the earliest possible moment. If the same contract is entered into with the other companies in Minnesota, and a like increase allowed for depreciation reserve, it will mean practically

\$1,000,000 per annum increase in expenses to the Government in the one item of depreciation in the State of Minnesota. The people of the State of Minnesota strongly object to paying said \$1,000,000 per annum for the purpose of carrying on an experiment in Government ownership.

The third proposition that the Government has undertaken, which has caused a great stir among the public, is the toll rates which are supposed to go in effect to-day. During the hearing on the application of the Northwestern Telephone Exchange Co. and the Tri-State Telephone & Telegraph Co., which applications were made to our commission with the approval and at the direction of Mr. Burleson, in each application the telephone companies were seeking an increase of 25 per cent in their toll rates. The announcement was made from Washington, through the press, that Mr. Burleson was going to put into effect, as a Nation-wide schedule, the toll rates that would result in a reduction of the toll rates throughout the entire country. In other words, he was before us asking for an increase in the toll rates and at the same time issued a statement that he was going to reduce the toll rates by his own order. Mr. Burleson has previously stated he wanted the corporation of State commissions and yet in the installation charge, in handling the contract situation and in the toll rates, no word was sent to the Minnesota commission asking for their advice or allowing them an opportunity to be heard; and so far as the Minnesota commission is informed the only parties given a hearing were the telephone companies themselves. The general public and the telephone subscribers were completely ignored.

Cooperation applies with a reciprocal action toward a common purpose. The State commissions were not given an opportunity to cooperate. The Minnesota commission has been engaged in a study of telephone matters for three and a half years. Other commissions have been studying the question, especially from the public point of view, much longer. And it would seem that they were in a position to materially aid the Federal Government. But no; Mr. Burleson relied upon his close associates only, and outside of the representatives of the telephone companies I am not informed as to their experience in telephone matters.

In regard to telephone rates, in view of the newspaper story of reduced rates, the commission waited with a good deal of interest for the Official Bulletin. Upon receipt of the same, a study of how the rates would affect the Minnesota rates was made, and I have a copy of the same here, which I wish to be made a part of the record. Here is a study that is prepared by Mr. Howlett, supervisor of the telephones of our commission. I wish simply to call attention to a few things in it.

Mr. MADDEN. I would like to know what decrease of the rates has resulted from that?

Mr. PUTNAM. The general result is an increase in rates.

The CHAIRMAN. Let the paper speak for itself, if you have a paper there.

Mr. RAMSEYER. He is answering questions asked him by members of the committee.

Mr. PUTNAM. I would like to call attention to one or two things in this schedule.

Mr. STEENERSON. Point out what the rate changes are.

Mr. PUTNAM. The present schedule of toll rates in the State of Minnesota and in practically every State in the Union is based upon what is called a person-to-person schedule. That is, you go to call a party over the long-distance telephone and you ask to speak to the party. Under Mr. Burleson's order, he places into effect what is known as a station-to-station rate, which, when you go to the telephone, you ask for Mr. Jones's telephone, and if you get Mr. Jones's telephone you pay for the service, whether Mr. Jones is there or not. So that in comparing these schedules, the only just comparison to make is between the person-to-person schedule of Mr. Burleson and the present schedule, which is person-to-person.

Mr. RAMSEYER. I think you said the person-to-person schedule; you meant the station-to-station schedule?

Mr. PUTNAM. No; the person-to-person schedule. Mr. Burleson's order includes two orders, one station to station and the other person to person.

Mr. BLACK. But isn't there a third?

Mr. PUTNAM. There is a provision for an appointment service.

Mr. BLACK. That is what I thought—still a third.

The CHAIRMAN. Isn't it true everywhere that you call for the exchange and then for the person?

Mr. PUTNAM. Not on a strictly long-distance service, as I understand it. You call for the person you wish to talk to; at least that is the practice in Minnesota, and, as I understand, it is the general practice.

Mr. STEENERSON. If the person is not there, you pay anyway?

Mr. PUTNAM. If the person is not there, under the station-to-station schedule you pay anyway. In the person-to-person schedules under Mr. Burleson's regulations you pay 25 per cent of the fee if you fail to get the person.

Mr. MADDEN. The station-to-station communication does not guarantee communication with the person?

Mr. PUTNAM. No, sir.

Mr. MADDEN. But you have to pay?

Mr. PUTNAM. You have to pay anyhow.

Mr. MADDEN. And the person-to-person is 25 per cent higher than it was before?

Mr. PUTNAM. Than the station-to-station schedule; that is, the present station-to-station schedule.

Mr. BEAKES. The station-to-station schedule is less than the person-to-person schedule?

Mr. PUTNAM. The person-to-person schedule is based upon the station-to-station schedule.

Mr. BEAKES. I mean, is the Post Office Department's station-to-station schedule less than the present or past person-to-person schedule?

Mr. PUTNAM. It is in some instances and not in other instances. For longer distances, I believe, it is not. Our comparison is built up largely on the person-to-person schedule, because of the fact those are equal services. The station-to-station schedule is an inferior service; and a comparison can not be justly made.

Mr. RAMSEYER. Before the Government took these telephones over did you in Minnesota have any other except the person-to-person service?

Mr. PUTNAM. No, sir.

Mr. MADDEN. They did not have any place, did they?

Mr. PUTNAM. I do not know whether there was such a service in effect, except very short distances between big centers. I say we did not have the station-to-station service. Between St. Paul and Minneapolis we have practically a station-to-station service; you have a 10-cent charge and you simply call the station number. If you get the number and the party is not there you pay the 10 cents.

Attached to this, Exhibit No. 1 is a copy of Telephone Bulletin No. 22, being Mr. Burleson's order 2495. No. 2 is the schedule now generally in effect in Minnesota, called the "standard" schedule. No. 3 shows the one-minute rates for distances under 40 miles. In Minnesota we have what is known as a one-minute schedule, which goes to the outlying points in the States; it is a schedule which has in the past been used a great deal by commission men and grain men and similar lines of business in the Twin Cities.

Under Mr. Burleson's order that schedule would be abolished and it would mean a very marked increase in rates.

Mr. STEENERSON. What is the difference in any one place?

Mr. PUTNAM. A three-minute schedule.

Mr. STEENERSON. What is the difference in price?

Mr. PUTNAM. The difference in price is shown—

Mr. STEENERSON. Three times?

Mr. PUTNAM. In some places it is. We have a large number of exhibits here, and anybody who desires to make a thorough study of it will find it is really interesting reading. The present Minnesota rate on 256-mile distances, which is Crookston from the Twin Cities, is 80 cents for one minute and 65 cents for each additional minute. The proposed Government schedule is \$2.75 for three minutes.

Mr. AMES. How often do you get a message through in three minutes?

Mr. STEENERSON. That simply means conversation.

Mr. PUTNAM. That schedule has been used very successfully in the State of Minnesota, and the business people use it.

Mr. AYRES. A one-minute message usually means three minutes before you complete it. You start out with the idea of one minute and before you get through it is three minutes.

Mr. PUTNAM. The commission house and grain men, they use that one-minute schedule quite extensively in the State of Minnesota.

Mr. BLACK. Right on that point: Do you think they have misused it to the detriment of the rest of the public?

Mr. PUTNAM. I have not heard any such complaint; I have never heard the telephone companies make any such complaint.

Mr. STEENERSON. Can you state generally what the increases are between Minnesota rates and the rates proposed to be put in effect to-day? This table shows it, does it?

Mr. PUTNAM. The table shows individual rates for different distances.

Mr. BEAKES. Some distances are cheaper and some the other way?

Mr. PUTNAM. The Government rate is higher in all instances where you get over a distance of 32 miles. The Government rate is in excess of the present State rate in all instances over 32 miles.

Mr. BEAKES. That is the person-to-person rate, you mean?

Mr. PUTNAM. The person-to-person rate, compared with the rate in our present service, which is a person-to-person rate. Under that

the Government rate is less in some instances for the same distances. But the general result in the judgment of the commission will be an increased cost to the general public of not less than 20 per cent, and in some of these regulations, in the use of the station-to-station service, in times where you do not get the party, it may bring the actual cost to the public as high as 40 to 50 per cent. That is my personal judgment.

Mr. STEENERSON. In excess of the present rates?

Mr. PUTNAM. In excess of the present rates.

Mr. AYRES. Suppose the Government should turn back those phones—

Mr. PUTNAM. Here is a rate for more than 104 miles and not over 105 miles. The station-to-station toll rate under the Government schedule is 75 cents for three minutes and 25 cents for each additional minute. The person-to-person toll rate is 90 cents for three minutes and 30 cents for each additional minute. The Minnesota toll rate, which is a person-to-person rate, is 55 cents for two minutes and 20 cents for each additional minute, which means a three-minute call would be 75 cents.

The CHAIRMAN. How much difference is that?

Mr. PUTNAM. In the person-to-person rate there is a difference of 35 cents on the shorter talking period.

Mr. BEAKES. What is the difference using the station-to-station rate?

Mr. AYRES. Suppose those telephones should be turned back to private owners immediately; do you think the companies would call upon the Minnesota commission or the different State commissions for permission to increase their rates in order to meet the necessary high costs of operation of the phones?

Mr. PUTNAM. I expect that if the commission's jurisdiction is continued, we will have numerous telephone rate cases in the next six months.

The CHAIRMAN. Have what?

Mr. PUTNAM. Numerous rate cases on the part of the telephone companies.

Mr. AYRES. In other words, you would be placed in the same position of raising rates, or rather permitting rates to be raised, in order to meet the high expenses of operating these plants, just the same as the Government is doing at this particular time?

Mr. PUTNAM. But under private operation the expense of operating the plants will not be as great as it will be under Government operation, and the rates would not be as high.

Mr. AYRES. Why wouldn't they be as high?

Mr. PUTNAM. In the first place, the Government makes a contract to pay half a million dollars on the Northwestern property alone; in the second place, the wage increases will be greater under Government control than under private ownership.

Mr. AYRES. The wage increase will be greater?

Mr. PUTNAM. The wage increase will be greater under Government control than under private ownership.

Mr. HOLLAND. And the probability is you will have more employees to do the same amount of service; is not that true?

Mr. PUTNAM. A greater number of employees to do the same amount of work and pay a higher rate per employee. Now, myself

and Mr. Hart would be glad to call your attention to these various schedules and emphasize the facts as shown by them.

Mr. BLACK. How many pages are there to that? It occurred to me that some of it might not be necessary and only a portion of it would illuminate the point. I have not any particular objection to putting it all in.

Mr. MADDEN. I think it would be a good thing to put it all in the record.

Mr. PUTNAM. There are 17 pages, sir.

Mr. RAMSEYER. Who is this fellow who prepared that particular kind of study?

Mr. PUTNAM. He is the supervisor of the telephone branch of the commission and has been with the Belt system for years.

Mr. RAMSEYER. You regard him as a first-class authority?

Mr. PUTNAM. I regard him as a first-class authority, and I believe he is recognized by the telephone men as such.

(The comparison offered by Mr. Putnam is as follows:)

MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., January 9, 1919.

RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn.

GENTLEMEN: Pursuant to your request, following is a statement relative to the long-distance telephone rates proposed by Postmaster General Burleson, to become effective January 21, 1919, and the effect those rates will have with reference to the rates now in effect in Minnesota.

The Postmaster General proposes two schedules of rates for long-distance telephone service. The basic schedule is termed a station-to-station schedule, the service under which might be defined by the following conditions:

Calls under the station-to-station schedule would specify the telephone station called either by telephone number or by the name of the subscriber of the called station. This service is ordinarily known as two-number service and does not guarantee communication with any particular person, and the patron pays for the call even though communication may not be had with the particular person desired.

The second schedule is called a person-to-person schedule and is what is generally known as particular-party service. The rates under this schedule are approximately 25 per cent higher than those under the station-to-station schedule, using the station-to-station schedule as a basis. Under this schedule communication may be had between specified persons, and the service is the same as the service furnished under our present Minnesota schedules. Under the proposed person-to-person schedule, orders will be accepted only under the condition that a limited charge (to be known as report charge) will be made in the following cases, where it is impossible to establish communication between particular persons:

1. When the order is to establish communication with a particular person in a given city; telephone address unknown, and the particular person can not be secured within one hour (exclusive of any time during which "no circuits" or other cause prevent communication of the order to the distant city or exchange, or its completion).

2. When the designated person called refuses to talk.

3. When the report is returned that the designated person called is "out" or "out and will return at specified time," or "out and time of return unknown," "is absent from the city," and similar reports, advising the calling subscriber of the facts ascertained when failure to complete the order is due solely to the circumstances of the called person or default in describing the location of the called person, and when all of the work preliminary to establishing communication with the called person is done.

4. When communication between the designated persons can not be established because the designated person at the calling station is absent at the calling station, providing that no charge shall be made in such cases where the delay, if any, in establishing connection is greater than one hour.

5. When the designated person at the calling station refuses to talk when the facilities for communication have been established.

It will be noted that under the above conditions that where the station-to-station schedule is used that the person originating the call pays for service whether or not he talks to the particular person desired, and that where he requests service to a particular person under the person-to-person schedule that unless communication is immediately established, and also under other conditions, that although communication may not be had, a report charge is made, which is approximately 25 per cent of the initial rate under the station-to-station schedule. In no case will this report charge be less than 10 cents or more than \$2, as will be shown on an exhibit attached.

Under the proposed schedules where a person desires to make an appointment call, he must pay for this service approximately 50 per cent in addition to the charges under the station-to-station schedules, an appointment call being one where the calling party requests communication with the distant party at some specified hour of the day.

Under the present Minnesota schedule, no so-called report charges are required, nor are additional charges made for appointment calls.

In order to more clearly illustrate the difference between the rates now in effect in Minnesota and the rates proposed by the Government, as well as the effect the proposed rates will have, I attach hereto 11 exhibits.

Exhibit No. 1¹ is a copy of Telephone Bulletin No. 22, being Postmaster General Burleson's order No. 2495, dated at Washington, December 13, 1918, and is the order under which the proposed rates are computed, and which are to become effective January 21, 1919.

Exhibit No. 2 is the schedule now generally in effect in Minnesota, and what is generally termed the "standard" schedule, the rates up to a distance of 22 miles being based on an initial talking period of three minutes, and upon an initial talking period of two minutes for all distances beyond 22 miles.

Exhibit No. 3 is a schedule of rates now in effect in Minnesota based upon an initial talking period of one minute, there being no "one-minute" rates for distances under 40 miles. Although there are but approximately 2,400 one-minute rates quoted in Minnesota as compared with a total of something over 2,000,000 rates in the State, these rates are in effect between important towns in the State of considerable distance where there is a large volume of business, and between numerous points from 40 to 60 miles distant where traffic is usually quite heavy. The one-minute schedule permits persons at distances greater than the average haul to obtain telephone communication at a low minimum rate, and it will be shown on another exhibit that if the proposed Government rates become effective that the minimum charge for long-distance telephone service between such towns as now enjoy the one-minute schedule will be very greatly increased.

Exhibit No. 4 shows the proposed Government station-to-station schedule for distances up to 304 miles and is computed from the information contained in Exhibit No. 1.

Exhibit No. 5 shows the proposed Government person-to-person schedule for distances up to 304 miles and is computed from the information contained in Exhibit No. 1.

Exhibit No. 6 is a schedule of computed proposed Government rates for person-to-person, appointment, and messenger toll calls, and is taken from Exhibit No. 1. This exhibit shows the minimum charges to be made for person-to-person service as compared with the basic station-to-station charge; also the charge for completed appointment and messenger-rate service, as well as the report charge made under the person-to-person schedule and referred to above.

Exhibit No. 7 is a comparative statement for distances up to 152 miles of the present Minnesota two and three minute rates, now generally in effect in Minnesota, and the proposed Government schedules for station-to-station and person-to-person service.

Exhibit No. 8 is a comparative statement for distances up to 152 miles as between the one-minute toll rates now in effect in Minnesota and the proposed Government schedules for station-to-station and person-to-person schedule.

Exhibit No. 9 is a comparative statement of computed charges for conversations from one to eight minutes' duration for distances up to 145 miles as between the two-minute rates shown on Exhibit No. 2, and which are generally in use in Minnesota, and the proposed person-to-person Government schedule.

¹ Not attached.

The proposed person-to-person schedule is used for this comparison for the reason that all long distance communications in Minnesota to-day are on the person-to-person basis. If a comparison were made between our present Minnesota rates which provides for person-to-person service and the proposed Government station-to-station schedule, we would find that for all lengths of communications and for distances up to 32 miles that the charges for the service under the proposed schedule would be less than under our present schedule; that for communication of two minutes' duration and for distances greater than 32 miles, that the charge under the proposed schedule is either the same or from 5 to 20 cents greater per call, and that for communications of three minutes or more duration, and for distances greater than 32 miles, that the charge under the proposed station-to-station schedule will be occasionally the same, but generally less. It is, however, unreasonable to consider a comparison on this basis, for the reason that station-to-station service is not generally used except for very short distances and where the rate is not greater than 10 cents. It must also be remembered that where the patron specifies service under this schedule he pays for the message even though he may not communicate with the particular person desired. The public may, after a considerable length of time, learn a number of tricks which will enable it to take some advantage of the station-to-station schedule, but even then since the measurement of the duration of a station-to-station message begins at the moment when telephonic communication is established between the called and the calling stations (the term "station" under this schedule being defined to include a private branch exchange switchboard operator, in those cases where private branch exchange systems are involved in station-to-station service), the period consumed for which the charge will be made will probably in a majority of the cases be so long as to make the charge greater than it would be under the person-to-person schedule.

Referring to Exhibit No. 9, we find that for communications of from one to two minutes' duration and for distances up to 24 miles that the charges under the proposed schedule is either the same or a trifle less than the charges under our present rates; that for communications longer than two minutes and for distances up to 32 miles the charges under the proposed rates are either the same or a trifle less; and that for communications of from one to two minutes and for distances greater than 24 miles, also for communications of more than two minutes and for distances greater than 32 miles, the charges under the proposed rates are in all cases considerably higher than the charges under our present schedule.

Exhibit No. 10 is a statement of computed charges for conversations of from one to five minutes' duration, showing the effect of the proposed person-to-person schedule as applied to certain Minnesota towns where the two-minute rate is now in effect. This exhibit, I believe, is self-explanatory and shows that in general charges under the proposed rates will be considerably higher than under the present rates. In the preparation of this exhibit consideration was not given to size or importance of communities, but towns were selected to show as wide a range in rates as possible for the limited space.

Exhibit No. 11 is a statement of the computed charges for conversations of one minute to four minutes' duration, showing the effect of the proposed person-to-person schedule as applied to certain Minnesota points where a one-minute rate is now in effect. This schedule, I believe, is self-explanatory, and more particularly shows that the minimum charge for service under the proposed schedule is greatly in excess of the minimum charge for service under our present schedules. In this exhibit no consideration was given to the importance or size of the towns listed, but rather to show as large a range as possible in the rates for the limited space provided.

Respectfully submitted.

J. W. HOWATT,
Supervisor of Telephones.

EXHIBIT No. 2.

Minnesota two and three minute toll-rate schedule.

[Filed July 1, 1915, and now in effect.]

Miles.	Rate.	Initial period.	Each additional minute.	Miles.	Rate.	Initial period.	Each additional minute.	Miles.	Rate.	Initial period.	Each additional minute.
		<i>Min.</i>				<i>Min.</i>				<i>Min.</i>	
0-12	\$0.15	3	\$0.05	175-185	\$0.95	2	\$0.40	345-355	\$1.80	2	\$0.85
12-17	.20	3	.05	185-195	1.00	2	.45	355-365	1.85	2	.85
17-22	.25	3	.05	195-205	1.05	2	.45	365-375	1.90	2	.90
22-40	.25	2	.10	205-215	1.10	2	.50	375-385	1.95	2	.90
40-55	.30	2	.10	215-225	1.15	2	.50	385-395	2.00	2	.95
55-65	.35	2	.10	225-235	1.20	2	.55	395-405	2.05	2	.95
65-75	.40	2	.15	235-245	1.25	2	.55	405-415	2.10	2	1.00
75-85	.45	2	.15	245-255	1.30	2	.60	415-425	2.15	2	1.00
85-95	.50	2	.20	255-265	1.35	2	.60	425-435	2.20	2	1.05
95-105	.55	2	.20	265-275	1.40	2	.65	435-445	2.25	2	1.05
105-115	.60	2	.25	275-285	1.45	2	.65	445-455	2.30	2	1.10
115-125	.65	2	.25	285-295	1.50	2	.70	455-465	2.35	2	1.10
125-135	.70	2	.30	295-305	1.55	2	.70	465-475	2.40	2	1.15
135-145	.75	2	.30	305-315	1.60	2	.75	475-485	2.45	2	1.15
145-155	.80	2	.35	315-325	1.65	2	.75	485-495	2.50	2	1.20
155-165	.85	2	.35	325-335	1.70	2	.80	495-505	2.55	2	1.20
165-175	.90	2	.40	335-345	1.75	2	.80				

MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., January 15, 1919.

EXHIBIT No. 3.

Minnesota one-minute toll-rate schedule.

[Filed July 1, 1915, and now in effect.]

Miles.	Rate.	Initial period.	Each additional minute.	Miles.	Rate.	Initial period.	Each additional minute.	Miles.	Rate.	Initial period.	Each additional minute.
		<i>Min.</i>				<i>Min.</i>				<i>Min.</i>	
40-65	\$0.25	1	\$0.15	195-215	.65	1	.50	355-375	1.05	1	.90
65-80	.30	1	.20	215-235	.70	1	.55	375-395	1.10	1	.95
80-95	.35	1	.20	235-255	.75	1	.60	395-415	1.15	1	1.00
95-115	.40	1	.25	255-275	.80	1	.65	415-435	1.20	1	1.05
115-135	.45	1	.30	275-295	.85	1	.70	435-455	1.25	1	1.10
135-155	.50	1	.35	295-315	.90	1	.75	455-475	1.30	1	1.15
155-175	.55	1	.40	315-335	.95	1	.80	475-495	1.35	1	1.30
175-195	.60	1	.45	335-355	1.00	1	.85				

MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., January 15, 1919.

130 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

EXHIBIT No. 4.

Proposed Government toll rates, station to station.

For distances—		Initial rate and period.		Overtime rate and period.		For distances—		Initial rate and period.		Overtime rate and period.	
More than—	Not more than—	Rate.	Period.	Rate.	Each additional—	More than—	Not more than—	Rate.	Period.	Rate.	Each additional—
<i>Miles.</i>	<i>Miles.</i>		<i>Min.</i>		<i>Min.</i>	<i>Miles.</i>	<i>Miles.</i>		<i>Min.</i>		<i>Min.</i>
0	6	\$0.05	5	\$0.05	5	182	180	1.05	3	\$0.35	1
6	12	.10	5	.05	3	180	168	1.10	3	.35	1
12	18	.15	5	.05	2	168	176	1.15	3	.35	1
18	24	.20	5	.05	2	176	184	1.20	3	.40	1
24	32	.25	5	.05	1	184	192	1.25	3	.40	1
32	40	.30	3	.10	1	192	200	1.30	3	.40	1
40	48	.35	3	.10	1	200	208	1.35	3	.45	1
48	56	.40	3	.10	1	208	216	1.40	3	.45	1
56	64	.45	3	.15	1	216	224	1.45	3	.45	1
64	72	.50	3	.15	1	224	232	1.50	3	.50	1
72	80	.55	3	.15	1	232	240	1.55	3	.50	1
80	88	.60	3	.20	1	240	248	1.60	3	.50	1
88	96	.65	3	.20	1	248	256	1.65	3	.55	1
96	104	.70	3	.20	1	256	264	1.70	3	.55	1
104	112	.75	3	.25	1	264	272	1.75	3	.55	1
112	120	.80	3	.25	1	272	280	1.80	3	.60	1
120	128	.85	3	.25	1	280	288	1.85	3	.60	1
128	136	.90	3	.30	1	288	296	1.90	3	.60	1
136	144	.95	3	.30	1	296	304	1.95	3	.65	1
144	152	1.00	3	.30	1						

¹ And thereafter increasing in 5 cent steps.² And thereafter 3 minutes for all rates.³ And thereafter one-third the initial rate to the nearest multiple of 5 cents, but not more than one-third the initial rate.⁴ And thereafter 1 minute overtime for all rates.MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., Jan. 15, 1919.

EXHIBIT No. 5.

Proposed Government toll rates, person to person.

For distances—		Initial rate and period.		Overtime rate and period.		For distances—		Initial rate and period.		Overtime rate and period.	
More than—	Not more than—	Rate.	Period.	Rate.	Each additional—	More than—	Not more than—	Rate.	Period.	Rate.	Each additional—
<i>Miles.</i>	<i>Miles.</i>		<i>Min.</i>		<i>Min.</i>	<i>Miles.</i>	<i>Miles.</i>		<i>Min.</i>		<i>Min.</i>
10	16					182	180	\$1.30	3	\$0.40	1
16	12					180	168	1.35	3	.45	1
12	18	\$0.20	3	\$0.05	1	168	176	1.40	3	.45	1
18	24	.25	3	.05	1	176	184	1.50	3	.50	1
24	32	.30	3	.10	1	184	192	1.55	3	.50	1
32	40	.40	3	.10	1	192	200	1.60	3	.50	1
40	48	.45	3	.15	1	200	208	1.65	3	.55	1
48	56	.50	3	.15	1	208	216	1.75	3	.55	1
56	64	.55	3	.15	1	216	224	1.80	3	.60	1
64	72	.60	3	.20	1	224	232	1.85	3	.60	1
72	80	.65	3	.20	1	232	240	1.90	3	.60	1
80	88	.75	3	.25	1	240	248	2.00	3	.65	1
88	96	.80	3	.25	1	248	256	2.05	3	.65	1
96	104	.85	3	.25	1	256	264	2.10	3	.70	1
104	112	.90	3	.30	1	264	272	2.15	3	.70	1
112	120	1.00	3	.30	1	272	280	2.25	3	.75	1
120	128	1.05	3	.35	1	280	288	2.30	3	.75	1
128	136	1.10	3	.35	1	288	296	2.35	3	.75	1
136	144	1.15	3	.35	1	296	304	2.40	3	.80	1
144	152	1.25	3	.40	1						

¹ Not quoted.² And thereafter 25 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, 25 per cent in addition to the station-to-station day rate, computed to the next lower multiple of 5 cents.³ And thereafter 3 minutes for all rates.⁴ Overtime approximately one-third of initial period rate and not more than one-third.⁵ And thereafter 1 minute for all overtime.MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., January 15, 1919.

EXHIBIT No. 6.

Schedule of computed proposed Government rates for person to person, appointment, and messenger toll calls.

When the station-to-station day rate is—	The completed person-to-person rate is—	The completed appointment and messenger rate is—	The report charge is—
\$0.05	(1)	(1)	(1)
.10	(1)	(1)	(1)
.15	\$0.20	\$0.25	\$0.10
.20	.25	.30	.10
.25	.30	.35	.10
.30	.40	.45	.10
.35	.45	.50	.10
.40	.50	.60	.10
.45	.55	.65	.15
.50	.60	.75	.15
.55	.65	.80	.15
.60	.75	.90	.15
.65	.80	.95	.20
.70	.85	1.05	.20
.75	.90	1.10	.20
.80	1.00	1.20	.20
.85	1.05	1.25	.25
.90	1.10	1.35	.25
.95	1.15	1.40	.25
1.00	1.25	1.50	.25
1.05	1.30	1.55	.30
1.10	1.35	1.65	.30
1.15	1.40	1.70	.30
1.20	1.50	1.80	.30
1.25	1.55	1.85	.35
1.30	1.60	1.95	.35
1.35	1.65	2.00	.35
1.40	1.75	2.10	.35
1.45	1.80	2.15	.40
1.50	1.85	2.25	.40
1.55	1.90	2.30	.40
1.60	2.00	2.40	.40
1.65	2.05	2.45	.45
1.70	2.10	2.55	.45
1.75	2.15	2.60	.45
1.80	2.25	2.70	.45
1.85	2.30	2.75	.50
1.90	2.35	2.85	.50
1.95	2.40	2.90	.50
* 2.00	* 2.50	* 3.00	* .50

¹ Not quoted.

² Thereafter increasing in 5-cent steps.

³ Thereafter 25 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, 25 per cent in addition to the station-to-station day rate computed to the next lower multiple of 5 cents.

⁴ Thereafter 50 per cent in addition to the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 2, 50 per cent in addition to the station-to-station day rate computed to the next lower multiple of 5 cents.

⁵ Thereafter one-fourth the station-to-station day rate. When the station-to-station day rate is not evenly divisible by 4, one-fourth the station-to-station day rate computed to the next higher multiple of 5 cents, but no report charge will exceed \$2.

NOTE.—Under present Minnesota rates, no additional charges are made for person-to-person or appointment calls.

EXHIBIT No. 7.

Comparative statement of present Minnesota toll rates and proposed Government toll rates.

For distances—		Government toll rates.								Minnesota toll rates.			
More than—	Not more than—	Station to station.				Person to person.				Initial charge.	Initial period.	Overtime charge.	Overtime period.
		Initial charges.	Initial period.	Overtime charge.	Overtime period.	Initial charge.	Initial period.	Overtime charge.	Overtime period.				
		Miles.	Miles.	Mins.			Mins.		Mins.		Mins.		Mins.
0	6	.05		5	.05	5	(1)	(1)	(1)	.15	3	.05	1
6	12	.10		5	.05	3	(1)	(1)	(1)	.15	3	.05	1
12	17	.15		5	.05	2	.20	3	.05	.20	3	.05	1
17	18	.15		5	.05	2	.20	3	.05	.25	3	.05	1
18	22	.20		5	.05	2	.25	3	.05	.25	3	.05	1
22	24	.25		5	.05	2	.25	3	.05	.25	2	.10	1
24	32	.25		5	.05	1	.30	3	.10	.25	2	.10	1
32	40	.30		5	.10	1	.40	3	.10	.25	2	.10	1
40	48	.35		3	.10	1	.45	3	.15	.30	2	.10	1
48	55	.40		3	.10	1	.50	3	.15	.30	2	.10	1
55	56	.40		3	.10	1	.50	3	.15	.35	2	.10	1
56	64	.45		3	.15	1	.55	3	.15	.35	2	.10	1
64	65	.50		3	.15	1	.60	3	.20	.35	2	.10	1
65	72	.50		3	.15	1	.60	3	.20	.40	2	.15	1
72	75	.55		3	.15	1	.65	3	.20	.40	2	.15	1
75	80	.55		3	.15	1	.65	3	.20	.45	2	.15	1
80	85	.60		3	.20	1	.75	3	.25	.45	2	.15	1
85	88	.60		3	.20	1	.75	3	.25	.50	2	.20	1
88	95	.65		3	.20	1	.80	3	.25	.50	2	.20	1
95	96	.65		3	.20	1	.80	3	.25	.55	2	.20	1
96	104	.70		3	.20	1	.85	3	.25	.55	2	.20	1
104	105	.75		3	.25	1	.90	3	.30	.55	2	.20	1
105	112	.75		3	.25	1	.90	3	.30	.60	2	.25	1
112	115	.80		3	.25	1	1.00	3	.30	.60	2	.25	1
115	120	.80		3	.25	1	1.00	3	.30	.65	2	.25	1
120	125	.85		3	.25	1	1.05	3	.35	.65	2	.25	1
125	128	.85		3	.25	1	1.05	3	.35	.70	2	.30	1
128	135	.90		3	.30	1	1.10	3	.35	.70	2	.30	1
135	136	.90		3	.30	1	1.10	3	.35	.75	2	.30	1
136	144	.95		3	.30	1	1.15	3	.35	.75	2	.30	1
144	145	1.00		3	.30	1	1.25	3	.40	.75	2	.30	1
145	152	1.00		3	.30	1	1.25	3	.40	.80	2	.35	1

(1) Not quoted.

NOTE.—.05-5 -.05 indicates a rate of .05 for initial period of 3 minutes and \$.05 for each overtime period specified.

EXHIBIT No. 8.

Comparative statement of present Minnesota 1 minute toll rates and proposed Government toll rates.

For distances—		Government toll rates.								Minnesota toll rates.				
More than—	Not more than—	Station to station.				Person to person.				Initial charge.	Initial period.	Overtime charge.	Overtime period.	
		Initial charges.	Initial period.	Overtime charge.	Overtime period.	Initial charge.	Initial period.	Overtime charge.	Overtime period.					
Miles.	Miles.	\$0.05	Mins.	\$0.05	5	(1)	Mins.	(1)	\$0.05	(1)	Mins.	(1)	Mins.	(1)
6	6	.10	5	.05	3	(1)	.....	.....	.....	.....	.....	.....	.....	.....
6	12	.15	5	.05	3	(1)	.....	.....	.....	.....	.....	.....	.....	.....
12	17	.15	5	.05	3	.20	.....	.....	.05	1	.....	.....	.....	.....
17	18	.15	5	.05	3	.20	.....	.....	.05	1	.....	.....	.....	.....
18	22	.20	5	.05	3	.25	.....	.....	.05	1	.....	.....	.....	.....
22	24	.25	5	.05	3	.25	.....	.....	.05	(1)	.....	.....	.....	.....
24	32	.25	5	.05	1	.30	.....	.....	.10	1	.....	.....	.....	.....
32	40	.30	3	.10	1	.40	.....	.....	.10	1	.....	.....	.....	.....
40	48	.35	3	.10	1	.45	.....	.....	.15	1	.....	.....	.....	.....
48	55	.40	3	.10	1	.50	.....	.....	.15	1	\$0.25	.....	.....	.....
55	56	.40	3	.10	1	.50	.....	.....	.15	1	.25	.....	.15	1
56	64	.45	3	.15	1	.55	.....	.....	.15	1	.25	.....	.15	1
64	65	.50	3	.15	1	.60	.....	.....	.20	1	.25	.....	.15	1
65	72	.50	3	.15	1	.60	.....	.....	.20	1	.30	.....	.20	1
72	75	.55	3	.15	1	.65	.....	.....	.20	1	.30	.....	.20	1
75	80	.55	3	.15	1	.65	.....	.....	.20	1	.30	.....	.20	1
80	85	.60	3	.20	1	.75	.....	.....	.25	1	.35	.....	.20	1
85	88	.60	3	.20	1	.75	.....	.....	.25	1	.35	.....	.20	1
88	95	.65	3	.20	1	.80	.....	.....	.25	1	.35	.....	.20	1
95	96	.65	3	.20	1	.80	.....	.....	.25	1	.40	.....	.25	1
96	104	.70	3	.20	1	.85	.....	.....	.25	1	.40	.....	.25	1
104	105	.75	3	.25	1	.90	.....	.....	.30	1	.40	.....	.25	1
105	112	.75	3	.25	1	.90	.....	.....	.30	1	.40	.....	.25	1
112	115	.80	3	.25	1	1.00	.....	.....	.30	1	.40	.....	.25	1
115	120	.80	3	.25	1	1.00	.....	.....	.30	1	.45	.....	.30	1
120	125	.85	3	.25	1	1.05	.....	.....	.35	1	.45	.....	.30	1
125	128	.85	3	.25	1	1.05	.....	.....	.35	1	.45	.....	.30	1
128	135	.90	3	.30	1	1.10	.....	.....	.35	1	.45	.....	.30	1
135	136	.90	3	.30	1	1.10	.....	.....	.35	1	.50	.....	.35	1
136	144	.95	3	.30	1	1.15	.....	.....	.35	1	.50	.....	.35	1
144	145	1.00	3	.30	1	1.25	.....	.....	.40	1	.50	.....	.35	1
145	152	1.00	3	.30	1	1.25	.....	.....	.40	1	.50	.....	.35	1

¹ Not quoted.

² No one minute rates quoted for distances under 40 miles.

EXHIBIT No. 9.

Comparative statement of computed charges for conversations from one to eight minutes, inclusive, up to 125 miles, as between present toll rates and the proposed person-to-person Government schedule.

Distance (miles).		1 minute.		2 minutes.		3 minutes.		4 minutes.		5 minutes.		6 minutes.		7 minutes.		8 minutes.	
More than—	Not more than—																
		Present.	Government.	Present.	Government.	Present.	Government.	Present.	Government.	Present.	Government.	Present.	Government.	Present.	Government.	Present.	Government.
0.....	6	\$0.15	\$0.05	\$0.15	\$0.05	\$0.15	\$0.05	\$0.20	\$0.05	\$0.25	\$0.05	\$0.30	\$0.10	\$0.35	\$0.10	\$0.40	\$0.10
6.....	12	.15	.10	.15	.10	.15	.10	.20	.10	.25	.10	.30	.15	.35	.15	.40	.15
12.....	17	.20	.20	.20	.20	.20	.20	.25	.25	.30	.30	.35	.35	.40	.40	.45	.45
17.....	18	.25	.20	.25	.20	.25	.20	.30	.25	.35	.30	.40	.35	.45	.40	.50	.45
18.....	22	.25	.25	.25	.25	.25	.25	.30	.30	.35	.35	.40	.40	.45	.45	.50	.50
22.....	24	.25	.25	.25	.25	.35	.25	.45	.30	.55	.35	.65	.40	.75	.45	.85	.50
24.....	32	.25	.30	.25	.30	.35	.30	.45	.35	.55	.40	.65	.45	.75	.50	.85	.55
32.....	40	.25	.40	.25	.40	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
40.....	48	.30	.45	.30	.45	.40	.45	.50	.60	.60	.75	.70	.90	.80	1.05	.90	1.20
48.....	55	.30	.50	.30	.50	.40	.50	.50	.65	.60	.80	.70	.95	.80	1.10	.90	1.25
55.....	56	.35	.50	.35	.50	.45	.50	.55	.65	.65	.80	.75	.95	.85	1.10	.95	1.25
56.....	64	.35	.55	.35	.55	.45	.55	.55	.70	.65	.85	.75	1.00	.85	1.15	.95	1.30
64.....	65	.35	.60	.35	.60	.45	.60	.55	.80	.65	1.00	.75	1.20	.85	1.40	.95	1.60
65.....	72	.40	.60	.40	.60	.55	.60	.70	.80	.85	1.00	1.00	1.20	1.15	1.40	1.30	1.60
72.....	75	.40	.65	.40	.65	.55	.65	.70	.85	.85	1.05	1.00	1.25	1.15	1.45	1.30	1.65
75.....	80	.45	.65	.45	.65	.60	.65	.75	.85	.90	1.05	1.05	1.25	1.20	1.45	1.35	1.65
80.....	85	.45	.75	.45	.75	.60	.75	.75	1.00	.90	1.25	1.05	1.50	1.20	1.75	1.35	2.00
85.....	88	.50	.75	.50	.75	.70	.75	.90	1.00	1.10	1.25	1.30	1.50	1.50	1.75	1.70	2.00
88.....	95	.50	.80	.50	.80	.70	.80	.90	1.05	1.10	1.30	1.30	1.55	1.50	1.80	1.70	2.05
95.....	96	.55	.80	.55	.80	.75	.80	.95	1.05	1.15	1.30	1.35	1.55	1.55	1.80	1.75	2.05
96.....	104	.55	.85	.55	.85	.75	.85	.95	1.10	1.15	1.35	1.35	1.60	1.55	1.85	1.75	2.10
104.....	105	.55	.90	.55	.90	.75	.90	.95	1.20	1.15	1.50	1.35	1.80	1.55	2.10	1.75	2.40
105.....	112	.60	.90	.60	.90	.85	.90	1.10	1.20	1.35	1.50	1.60	1.80	1.85	2.10	2.10	2.40
112.....	115	.60	1.00	.60	1.00	.85	1.00	1.10	1.30	1.35	1.60	1.60	1.90	1.85	2.20	2.10	2.50
115.....	120	.65	1.00	.65	1.00	.90	1.00	1.15	1.30	1.40	1.60	1.65	1.90	1.90	2.20	2.15	2.50
120.....	125	.65	1.05	.65	1.05	.90	1.05	1.15	1.40	1.40	1.75	1.65	2.10	1.90	2.45	2.15	2.80

NOTE.—On distances up to 12 miles the station-to-station rate is quoted on Government schedule. Patrons must pay for the message though communication is not had with the specified person.

Railroad and Warehouse Commission, St. Paul, Minn., January 7, 1919.

EXHIBIT No. 10.

Statement of computed charges, 1 to 5 minutes, inclusive, showing effect of proposed Government person-to-person rate as applied to certain Minnesota points where a two-minute rate is now in effect.

Minnesota and St. Paul to the towns of—	mate air-line distance.	Present—Minnesota toll rates.			Proposed Government person-to-person toll rates.			1 minute.		2 minutes.		3 minutes.		4 minutes.		5 minutes.	
		Initial rate.	Period.	Each additional minute.	Initial rate.	Period.	Each additional minute.	Present rate.	Proposed rate.	Present rate.	Proposed rate.	Present rate.	Proposed rate.	Present rate.	Proposed rate.	Present rate.	Proposed rate.
	Miles.		M/min.			M/min.											
Ada.....	226	\$1.20	2	\$0.55	\$1.85	3	\$0.60	\$1.20	\$1.85	\$1.20	\$1.55	\$1.75	\$1.85	\$2.30	\$2.45	\$2.85	\$3.05
Argyle.....	280	1.50	2	.70	2.35	3	.80	1.50	2.35	1.50	2.35	2.20	2.35	2.90	3.05	3.60	3.80
Bingham Lake.....	119	.60	2	.25	1.00	3	.30	.60	1.00	.60	1.00	.85	1.00	1.10	1.30	1.35	1.60
Center City.....	37	.25	2	.10	.40	3	.10	.25	.40	.25	.40	.35	.40	.45	.50	.55	.60
Collegeville.....	72	.45	2	.15	.60	3	.20	.45	.60	.45	.60	.60	.60	.75	.80	.90	1.00
Cokato.....	50	.30	2	.10	.50	3	.15	.30	.50	.30	.50	.40	.50	.50	.65	.60	.80
Dalton.....	156	.85	2	.35	1.30	3	.40	.85	1.30	.85	1.30	1.20	1.30	1.55	1.70	1.90	2.10
Elk River.....	30	.25	2	.10	.30	3	.10	.25	.30	.25	.30	.35	.30	.45	.40	.55	.50
Erskine.....	230	1.25	2	.55	1.85	3	.60	1.25	1.85	1.25	1.85	1.80	1.85	2.35	2.45	2.90	3.05
Faribault.....	47	.25	2	.10	.45	3	.15	.25	.45	.25	.45	.35	.45	.45	.60	.55	.75
Glyndon.....	210	1.10	2	.60	1.75	3	.55	1.10	1.75	1.10	1.75	1.60	1.75	2.10	2.30	2.60	2.85
Greenbush.....	285	1.55	2	.70	2.35	3	.75	1.55	2.35	1.55	2.35	2.25	2.35	2.95	3.10	3.65	3.85
Hallock.....	317	1.65	2	.75	2.60	3	.80	1.65	2.60	1.65	2.60	2.40	2.60	3.15	3.30	3.90	4.10
Jackson.....	129	.70	2	.30	1.10	3	.35	.70	1.10	.70	1.10	1.00	1.10	1.30	1.45	1.60	1.80
Lake City.....	53	.30	2	.10	.55	3	.15	.30	.55	.30	.55	.40	.55	.50	.70	.60	.85
Lanesboro.....	105	.40	2	.25	.90	3	.30	.40	.90	.65	.90	.90	.90	1.15	1.20	1.40	1.60
Lewisville.....	51	.50	2	.20	.80	3	.25	.50	.80	.50	.80	.70	.80	.90	1.05	1.10	1.30
McIntosh.....	226	1.20	2	.55	1.85	3	.60	1.20	1.85	1.20	1.85	1.75	1.85	2.30	2.45	2.85	3.05
Medford.....	56	.35	2	.10	.60	3	.15	.35	.60	.35	.60	.45	.50	.55	.65	.95	.80
Nodine.....	112	.60	2	.25	1.00	3	.30	.60	1.00	.60	1.00	.85	1.00	1.10	1.30	1.35	1.60
Red Wing.....	44	.25	2	.10	.45	3	.15	.25	.45	.25	.45	.35	.45	.45	.60	.55	.75
St. Cloud.....	64	.25	2	.15	.55	3	.20	.25	.55	.40	.55	.55	.55	.70	.70	.85	.85
Sherburne.....	120	.65	2	.35	1.05	3	.35	.65	1.05	.65	1.05	.90	1.05	1.15	1.40	1.40	1.75
Stockton.....	95	.50	2	.20	.80	3	.25	.50	.80	.50	.80	.70	.80	.90	1.05	1.10	1.30

NOTE.—There are approximately 2,000,000 two-minute rates in effect in Minnesota, and this exhibit is only an illustration of the effect the proposed rates will have.
MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., January 7, 1919.

EXHIBIT No. II.

Statement of computed charges, 1 to 4 minutes, inclusive, showing effect of proposed Government person-to-person rate as applied to certain Minnesota points where a 1-minute rate is now in effect.

Minnesota and St. Paul to following Minnesota points—	Approximate air-line distance.	Present Minnesota toll rate.			Proposed Government person-to-person rate.			1 minute.		2 minutes.		3 minutes.		4 minutes.	
		Initial rate.	Period.	Each additional minute.	Initial rate.	Period.	Each additional minute.	Present charge.	Government charge.	Present charge.	Government charge.	Present charge.	Government charge.	Present charge.	Government charge.
	Miles.		Mfn.			Mfn.									
Attkin.....	111	\$0.40	1	\$0.25	\$0.90	3	\$0.20	\$0.40	\$0.90	\$0.65	\$0.90	\$0.90	\$0.90	\$1.15	\$1.20
Albert Lea.....	92	.35	1	.20	.80	3	.25	.35	.80	.55	.80	.80	.80	.95	1.05
Alexandria.....	124	.45	1	.30	1.05	3	.35	.45	1.05	.75	1.05	1.05	1.05	1.35	1.40
Barnesville.....	197	.65	1	.50	1.60	3	.50	.65	1.60	1.15	1.60	1.60	1.60	2.15	2.10
Beardsley.....	176	.60	1	.45	1.40	3	.45	.60	1.40	1.05	1.40	1.40	1.40	1.95	1.85
Bemidji.....	196	.65	1	.50	1.60	3	.50	.65	1.60	1.15	1.60	1.60	1.60	2.15	2.10
Black Duck.....	202	.65	1	.50	1.65	3	.55	.65	1.65	1.15	1.65	1.65	1.65	2.15	2.20
Brainerd.....	108	.40	1	.25	.90	3	.30	.40	.90	.65	.90	.90	.90	1.15	1.20
Crookston.....	256	.80	1	.65	2.05	3	.65	.80	2.05	1.45	2.05	2.10	2.10	2.75	2.70
Detroit.....	182	.60	1	.45	1.50	3	.50	.60	1.50	1.05	1.50	1.50	1.50	1.95	2.00
Duluth.....	137	.40	1	.25	1.15	3	.35	.40	1.15	.40	1.15	.40	1.15	.50	1.50
Fairmont.....	111	.40	1	.25	.90	3	.30	.40	.90	.65	.90	.90	.90	1.15	1.20
Fergus Falls.....	166	.55	1	.40	1.35	3	.45	.55	1.35	.95	1.35	1.35	1.35	1.75	1.80
Graceville.....	160	.55	1	.40	1.30	3	.40	.55	1.30	.95	1.30	1.35	1.35	1.75	1.70
Henning.....	147	.50	1	.35	1.25	3	.40	.50	1.25	.85	1.25	1.20	1.25	1.55	1.65
Heron Lake.....	132	.45	1	.30	1.10	3	.35	.45	1.10	.75	1.10	1.05	1.10	1.35	1.45
Hutchinson.....	58	.25	1	.15	.55	3	.15	.25	.55	.40	.55	.55	.55	.70	.70
Lake Park.....	195	.65	1	.50	1.60	3	.50	.65	1.60	1.15	1.60	1.65	1.60	2.15	2.65
Little Falls.....	116	.40	1	.20	1.00	3	.30	.45	1.00	.72	1.00	1.05	1.00	1.35	1.30
Lamberton.....	87	.35	1	.20	.75	3	.25	.35	.75	.55	.75	.75	.75	.95	1.00
Marshall.....	69	.25	1	.15	.50	3	.15	.25	.50	.40	.60	.65	.60	.70	.70
Mankato.....	190	.45	1	.30	1.10	3	.35	.45	1.10	.75	1.10	1.05	1.10	1.35	1.45
New Ulm.....	75	.30	1	.20	.65	3	.20	.30	.65	.50	.65	.70	.65	.85	.85
Ortonville.....	157	.55	1	.40	1.30	3	.40	.55	1.30	.95	1.30	1.35	1.30	1.75	1.70
Owatonna.....	61	.25	1	.15	.55	3	.15	.25	.55	.40	.55	.55	.55	.70	.70
Rochester.....	75	.30	1	.20	.65	3	.20	.30	.65	.50	.65	.70	.65	.90	.85

NOTE.—There are approximately 2,400 1-minute rates in effect in Minnesota, and this exhibit is only an illustration of the effect that the proposed rates will have.

MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
St. Paul, Minn., January 7, 1919.

Mr. RANDALL. I understood you to say that the Government would probably pay higher wages than the private companies?

Mr. PUTNAM. That is my contention.

Mr. RANDALL. Do you think the Government would pay an unreasonably high salary or wage?

Mr. PUTNAM. I believe that the employees of the telephone companies will look to the railroad scales for the scales they will demand.

Mr. RANDALL. Do you know of any place where the Government is paying unreasonably high wages?

Mr. PUTNAM. I do; the wages that are being paid to-day in some branches of the railroads. And you will find that the trainmen realize that some of the men are getting an unjust wage; that is, that your trainman who it takes years to make a good expert man are receiving less money than some of the employees in the shops, where they can become good men in their particular line with a few months' training.

Mr. AYRES. Do you know of any case in the telephone system where the Government at this time is paying too much wages?

Mr. PUTNAM. No; I do not.

Mr. AYRES. Do you know of any place where they are paying enough?

Mr. PUTNAM. I could not answer that question.

Mr. AYRES. But they are not paying any less than was paid in private control or ownership?

Mr. PUTNAM. No; they are not paying any less. In view of these facts, it must be borne in mind that the announcement was made—that is, announcement by Mr. Burleson, or by the department of the Federal Government—that this was a reduction in telephone rates; further—and I believe that Mr. Burleson will admit it—that the telephone users of Minnesota were not consulted. We have a large number of one and two minute rates, built up and used by many jobbing houses and grain dealers and wholesale houses, in the Twin Cities and Duluth, for the purpose of keeping in touch with each other throughout the State, and they are great economies in the operation of their business. No consideration was paid to those business interests in the promulgation of those rates, and no chance given for them to have a hearing. The commission merchants and the grain men and wholesalers in Minnesota have expressed themselves very emphatically in regard to this matter and, if given an opportunity, would be glad to present their claims.

Mr. WOODYARD. Have they presented their request to the Postmaster General for a hearing?

Mr. PUTNAM. They have not directly made that application in this instance. I think I have personally, in correspondence with the Postmaster General, asked where there are any changes in rates for the State of Minnesota that the State commission be given an opportunity to present their views in the matter.

Mr. WOODYARD. What was his reply, in substance?

Mr. PUTNAM. He has not honored me with a reply to that particular request.

Mr. WOODYARD. In other words, then, there was no reply in substance?

Mr. PUTNAM. Just in closing my statement this afternoon, I want to call attention to another phase of the telephone situation. For

purposes of comparison, I have here the gross revenues of the Northwest Telephone Exchange Co. for the years 1915 and 1916. The gross revenues for 1915 were \$4,897,743. The toll revenues for that same period, which are included in the gross revenues, were \$1,398,537, showing that the toll revenues in the State of Minnesota were 28 per cent of the gross revenues of the company. Or, in other words, 72 per cent of the gross revenues of the Northwestern Exchange Co. in the State of Minnesota for the year 1915 was derived entirely from local exchange business; that is, from the communication of one person in the State to another person in the same State, meaning that that is purely local business. The estimates made of the percentage of long-distance business; that is, interstate business, are as low as 20 per cent of the total of the long-distance business; meaning that the total amount of the business of the Northwestern Co., which is interstate business, would be approximately 5 per cent; while 72 per cent is purely local-exchange business, and about 80 per cent of the toll business is intrastate business.

The figures for the year 1916 are: Gross revenues, \$5,552,791, and the gross toll revenues for that same year, \$1,537,683, or 27 per cent of the gross revenues—showing that the great bulk of the telephone business of the Northwestern Co. in the State of Minnesota was local-exchange business:

Now, it must be borne in mind that the Northwestern Co., which is the Bell system, are the large toll operators in the State of Minnesota; that they are probably due 60 to 75 per cent of the total toll business within the State. So that, using the Northwestern as a comparison as to what is toll business and what is local-exchange business, is giving the toll business the benefit of any doubt.

In considering whether or not it is proper for the United States Government to retain control of the telephone properties of the country, consideration should be given as to the nature of the business of the companies, whether local, State, or national. And in considering this question it is interesting to compare those revenues of the Northwestern Co.

Another question of vital importance at this time is whether or not the organizations of the telephone companies have been so broken up by Government control that they could not be returned to the companies without a material loss at the present time. I know of no change in organization of the telephone managements of the telephone properties and, in the judgment of the Minnesota commission, the properties could be turned back to the owners without any material damage to the properties or the stockholders, and no confusion to the public business. In addition, it would mean an immense saving either to the Treasury of the United States or to the telephone subscribers.

I have one more exhibit which I desire to introduce, and should have introduced it in connection with the toll order of Mr. Burleson. I did not have time to thoroughly check up the toll rates to the United States for the purpose of this hearing, but in the fall of 1915 our commission caused a statement to be prepared showing the toll rates of a number of the States at that time. As far as my information is concerned at the present time, the only increase I am aware of is an increase of 25 per cent in the toll rate in the State of Nebraska. There may be one or two other increases in those toll

rates. I have based this exhibit also upon the toll rates proposed by Mr. Burleson. And in summarizing this exhibit, all that is necessary to say is that this exhibit shows that the basis of Mr. Burleson's toll rates are the rates that were in effect in such States as Montana and New Mexico, and are applying the rates in those thinly settled States to the more thickly settled States; and, in fact, the rates are higher in most instances than in these two States.

Mr. STEENERSON. Are these the highest?

Mr. PUTNAM. These are the highest telephone rates of the country, and Mr. Burleson's rates are higher than those rates. That is shown as a result of the examination of this exhibit.

Mr. MADDEN. Can you give approximately what the increases of the toll rates in the United States would be?

Mr. PUTNAM. That would require a very extensive study.

Mr. MADDEN. If they are a million dollars in Minnesota, it is fair to assume it would be at least \$60,000,000 in the United States.

Mr. BEAKES. What is the percentage of increase in Minnesota?

Mr. PUTNAM. In Minnesota, on the 20 per cent basis, do you mean?

Mr. BEAKES. \$300,000?

Mr. PUTNAM. On the Northwestern Exchange property.

Mr. BEAKES. That is most of it, isn't it?

Mr. PUTNAM. That would probably be 60 to 75 per cent.

(The further exhibits submitted for the record by Mr. Putnam will be found at the conclusion of his remarks.)

Mr. RAMSEYER. Mr. Putnam, of course you are in favor of having these telephone and telegraph lines returned to the owners immediately upon ratification of the treaty of peace, as the resolution provides?

Mr. PUTNAM. Yes, sir.

Mr. RAMSEYER. Suppose Congress, in its wisdom, should decide to extend that period of control for from 2 to 3 years. What legislation have you to recommend to safeguard the interests of the public?

Mr. PUTNAM. If Congress should take any such action, the only way to safeguard the local interests is to reserve the rate-making power and the police power in either the present State commissions or some other local commission. If the Congress is afraid that this might cause, as the chairman has suggested, 48 commissions which are in conflict; they could provide for some appeal, or in the nature of that, from the State commission to the interstate national body. But to get the direct correction of local problems, you have to have a local organization that is on the job and has authority, so that your local management will listen to their requests.

Mr. MADDEN. And can ascertain the facts?

Mr. PUTNAM. Yes; they can much fuller ascertain the facts.

The CHAIRMAN. Now, let me ask you a question or two: What difference does it make, if that is necessary, and I deem it is necessary, in the protection of this service, if the local authorities should receive its commission from the Federal Government instead of from the local government?

Mr. PUTNAM. You mean whether the authority was imposed upon it by the local government or by the Federal Government?

The CHAIRMAN. Yes.

Mr. PUTNAM. I think that makes no difference in my suggestion as to some way to have that local authority reviewed so as to unify it.

The CHAIRMAN. There is no objection, then, to Federal control if that can be done?

Mr. PUTNAM. I simply say if you have the Federal control you should have your local control, which is retained to the local people.

The CHAIRMAN. Of course, the Federal Government has to act through local people; it can not act in any other way in many matters. In some, of course, it can act directly from Washington. You are from the State commission that has charge of these matters now?

Mr. PUTNAM. Yes, sir.

The CHAIRMAN. And you think your commission could carry on this work very much better than the Federal Government can?

Mr. PUTNAM. I believe in the State of Minnesota that we are in a better position.

The CHAIRMAN. You think you are better qualified to do that than the Government of the United States, which may call its men from all the United States here, is qualified to do it. Now, suppose these minor objections you have made here, as well as some of the more important ones, should appeal to the Federal administration, and were adopted and carried into force and effect in Minnesota, do you think it would be just as advantageous to the public as if that were done by the local authorities? In other words, if your plans were carried out by the Federal Government, would it be all right?

Mr. PUTNAM. I do not quite understand your question, Mr. Chairman.

The CHAIRMAN. You have made a number of objections to the Postmaster General and to the Government in the control of these matters, and you have assumed to say that the opposite in many instances would be true if certain things which you suggest were done. Now, suppose the Government were to adopt your views about it, would there be any objection then to Federal control?

Mr. PUTNAM. If the Government adopted my views, there would be no Federal control of intrastate business.

The CHAIRMAN. I am not speaking about the result; I am speaking about the facts you stated. If the Government adopted the things you say ought to be done, would not Federal control then be just as good as any other?

Mr. PUTNAM. I do not believe that the things I have advocated here could be adopted and still have Federal control.

Mr. RAMSEYER. I do not believe you understand the chairman. Suppose under Federal control there should be State commissions or local commissions created to adjust those local differences you have spoken about, the chairman wants to know, then, if you would have any objections to Federal control?

The CHAIRMAN. Yes; that is the idea.

Mr. STEENERSON. To the extension of it permanently?

Mr. PUTNAM. I do not think I am an opponent of Federal ownership.

The CHAIRMAN. You are a commissioner out there and want to hold the authority?

Mr. PUTNAM. We have no cause to want to hold authority over the telephone lines. We have plenty of business without it.

The CHAIRMAN. What is your objection, then, if the telephone companies are anxious for the extension for a year or so?

Mr. PUTNAM. I am here to protect the interests of the telephone subscriber in the State of Minnesota.

The CHAIRMAN. You are not here to do anything in the interests of the companies?

Mr. PUTNAM. I believe the companies are perfectly able to take care of themselves and have done so.

The CHAIRMAN. Suppose they think if these phones are turned back to them now it would be detrimental and that in the present situation the Government ought to work the matter out further in the interests of themselves and of the public; should there be any reason why there should not be an extension for that purpose?

Mr. PUTNAM. If the telephone companies made any showing before men not prejudiced in the matter and proved their case, the Government should take care of them. But as it is at the present time the showing made by the telephone companies are to a small body of men who are administrative officers in the city of Washington, and I do not believe the public should be bound by the personal opinions of those few commissioners.

The CHAIRMAN. Don't you think Congress has some voice in the matter?

Mr. PUTNAM. I think if they will lay their cards on the table before this committee, showing their earnings and expenses and the condition of all their properties, which would take months of hearings, that then Congress might be in a position to pass upon the question.

The CHAIRMAN. What would you say to it if the Bell Telephone Co. and all its connections, and the American Telephone Co., the Western Union, and all of the big companies, practically, except the Mackay companies, would say that some control ought to be retained for the present by the Government, not only in their interest, but the Government having taken their property away from them and used it as it saw fit, disorganized it, as you say, and imposed upon them, as you say—now, if that were true, wouldn't it be wise for Congress, under such provisions as it saw fit, to continue the control at the request of the companies in the Government?

Mr. PUTNAM. Upon the assumptions that you make that the contentions of those companies are true, why, your position might be correct.

The CHAIRMAN. Yes.

Mr. PUTNAM. But as far as that applies to the Northwestern Telephone Exchange Co., which is operated in the State of Minnesota, I know that contention is not true.

The CHAIRMAN. That is the Bell Co., you say?

Mr. PUTNAM. That is the Bell Co.

The CHAIRMAN. They so represent; I do not know how that is.

Mr. STERNERSON. It seems to me the public ought to be taken into consideration just as well as the telephone companies.

The CHAIRMAN. There is no question about the fact the public ought to be taken into consideration.

The gentleman has already said, as I understand, these rates would have to go up to the public anyway?

Mr. PUTNAM. The State commission is in a position to handle it, and we are now working at it in the State of Minnesota.

The CHAIRMAN. It is just merely a conflict between the State commissions and the Federal Government?

Mr. PUTNAM. It is not a conflict—

Mr. BLACK. It is in the record that some of these telephone companies have asked that the time be definitely extended to a certain period. So far as I have heard, they have not given any detailed reason as to why they thought so. I want to ask you if you know of any reason why the turning back of these companies at the end of the period now provided by law would be detrimental to their financial interests and operation?

Mr. PUTNAM. I know of nothing that has transpired so far that will be detrimental to their operation at this time as private companies. Of course, if the Postmaster General carries out some of the plans he has talked about it might cause such a situation in the organization of some of the companies that there would be a damage.

Mr. BLACK. But those plans have not yet been carried out?

Mr. PUTNAM. They have not as yet materialized.

Mr. MADDEN. Will you be kind enough to answer me this question: Is not the public interest one of the prime factors in the settlement of the difficulties that is pending before us?

The CHAIRMAN. How is that?

Mr. MADDEN. I want to know whether or not the public is not the prime factor in the settlement of this whole question, rather than the telephone companies or the telegraph companies?

The CHAIRMAN. Unquestionably that is true.

Mr. PUTNAM. I believe that is the fact.

The CHAIRMAN. I thought you were asking me the question.

Mr. MADDEN. No; I was asking the witness.

Mr. LAMAR. I desire to ask the witness if he is sure that the Northwestern Co., which is the Bell Co., as I understand, does not charge to its depreciation reserve as much as 5.72 per cent?

Mr. PUTNAM. The records of the company presented to my commission—and I have a copy of that exhibit here—showed 3.5 per cent over a period of 16 years.

Mr. LAMAR. That is a subsidiary company; that does not do the long-distance work, as I am informed.

Mr. PUTNAM. They are the company that handles all the Bell business within the State of Minnesota, except interstate business; and the American Telephone & Telegraph Co. operates those interstate lines themselves.

Mr. HART. The Northwestern Co. does handle interstate business between Minnesota and North and South Dakota.

Mr. LAMAR. Isn't it true that the A. T. & T., which is the long-distance line, charges to depreciation reserve 5.72 per cent for depreciation?

Mr. PUTNAM. I do not know what the American Telephone & Telegraph Co. charges upon the properties which they themselves operate.

Mr. LAMAR. Do they make any reports to your commission at all?

Mr. PUTNAM. I believe they do not.

Mr. LAMAR. It is my understanding that the A. T. & T., throughout the United States, carry a depreciation reserve of 5.72 per cent?

Mr. PUTNAM. That may be the fact. But up in our territory at least the A. T. & T. only operate the long-distance lines while the

Northwestern Co. are operating the exchange properties as well, which includes buildings, conduits, cables, and where the average depreciation would be much less than that for the long-distance lines, which are poles and open wire construction.

(The exhibits filed for the record by Mr. Putnam are as follows:)

	Telephone companies.	All companies.
Investment Aug. 1, 1918.....	\$1,311,805,439	\$1,463,252,436
Compensation allowed.....	\$69,816,104	\$80,014,845
Ratio of compensation to investment.....	5.32%	5.47%
Net revenue 6 months ending June 30, 1918.....	\$36,247,526	\$41,928,300
Average investment 1915-1917.....	\$1,130,800,000	\$1,273,232,439
Net revenue average 1915-1917.....	\$69,396,566	\$80,836,566
Ratio average earnings to investment for 1915-1917.....	6.14%	6.35%
	.82%	.88%

TELEPHONE STATISTICS.

Number of telephone companies which operate no switchboard.....	1,363
Number of stations served.....	20,430
Value of above property.....	\$1,594,093
Number of telephone companies which operate only one switchboard.....	308
Number of switchboards operated.....	303
Number of stations served.....	62,770
Value of above property.....	\$3,690,549
Number of telephone companies which operate more than one switchboard (not including Northwestern and Tri-State).....	51
Number of switchboards operated.....	183
Number of stations served.....	62,196
Value of above property.....	\$3,804,674

Northwestern Telephone Exchange Co.

Number of switchboards operated.....	105
Number of stations served.....	158,644
Book value of property.....	\$23,654,827

Tri-State Telephone & Telegraph Co.

Number of switchboards operated.....	46
Number of stations served.....	91,749
Book value of property.....	\$12,927,816
Total number of telephone companies in the State of Minnesota.....	1,719
Total number of switchboards operated.....	637
Total number of stations served.....	395,789
Value of telephone property in the State.....	\$45,671,959

Exchanges operated by Northwestern and Tri-State in Twin Cities and Duluth.

Minneapolis—Northwestern: Colfax, Drexel, East, Hyland, Kenwood, Main, Nicollet, Orchard, South, Walnut; 67,401 subscribers.

Four automatic and use of Midway Exchange, 29,456 subscribers.

St. Paul—Tri-State: Bomont, Cedar, Concord, Dale, Jackson, Midway, Robie, Summit; 43,703 subscribers.

Three automatic exchanges, 14,753 subscribers.

Duluth—Northwestern: Calumet, Douglas, Hemlock, Lakeside, Melrose; 14,654 subscribers.

Zenith, Grand, Lincoln, Cole, Park, Exford; 9,316 subscribers.

Statement showing classification, by towns, of the number of telephone companies operating exchanges in the State of Minnesota.

Population of towns.	Number of towns.	Number of companies operating.	Number of towns operated by—		
			North-western.	Tri-State.	Independent companies.
Under 5,000.....	506	289	84	27	411
5,000 to 10,000.....	14	8	7	5	6
10,000 to 20,000.....	6	3	3	3	1
20,000 to 50,000.....	(¹)	(¹)	(¹)	(¹)	(¹)
Over 50,000.....	3	3	2	1	1
Total.....	529	291	96	36	419

¹ None.

Classification by operating revenues of telephone companies operating in the State of Minnesota.

[Minnesota Railroad and Warehouse Commission, statistical department, St. Paul, Minn. Jan. 18, 1919.]

Class A. Annual operating revenues exceeding \$250,000.....	2
Class B. Annual operating revenues exceeding \$50,000 but not more than \$250,000.....	3
Class C. Annual operating revenues exceeding \$10,000 but not more than \$50,000.....	46
Class D. Annual operating revenues of \$10,000 or less.....	240
Class F. Farm line companies.....	1,574
Total.....	1,865

ADDITIONAL STATEMENT OF MR. WILLIAM H. LAMAR, SOLICITOR, UNITED STATES POST OFFICE DEPARTMENT.

Mr. LAMAR. Gentlemen, I have had prepared some figures here showing the compensation agreements—the aggregate of the compensation agreements. And in this connection it would be well to have these figures go in the record.

The investments as of August 1 in all telephone companies with which we have contracts now are \$1,311,805,439, for all companies with whom we have compensation agreements. For telegraph and telephone it was \$1,463,252,439. Compensation allowed on all telephone companies amounted to \$69,816,104; on all companies combined, \$80,014,945.

Mr. MADDEN. That would be about 6 per cent, wouldn't it?

Mr. LAMAR. The ratio of compensation to investment is 5.32 per cent on telephone companies, and on all companies combined 5.47 per cent on investment in property.

The net revenue for the six months ending June 30, 1918, for telephone companies was \$36,247,526; all companies under compensation agreement, \$41,928,300.

The average investment during the period 1915–1917, which is the period fixed by Congress, or at least the basis fixed by Congress for the railroad compensation—investment in properties, telephone, \$1,130,800,000; all companies, \$1,273,252,439.

Revenues for 1915–1917, \$69,369,566 for the telephone companies; all companies, \$80,836,566—or, for the telephone companies, a percentage of 6.14; all of the companies, 6.35 per cent; leaving an advantage in favor of the compensation agreements for the telephone companies of 0.82 per cent and for all companies of 0.88 per cent.

Mr. STEENERSON. You speak of companies with which you have made agreements?

Mr. LAMAR. Compensation agreements; yes.

Mr. STEENERSON. They are only a small part of the total?

Mr. LAMAR. It represents a very large portion of the properties. Of course there are a number of small companies where agreements have not been made.

Mr. STEENERSON. I understand you have made agreements with a very few companies, so far.

Mr. LAMAR. We have made agreements with companies where the valuation August 1 was \$1,063,000,000, and we estimate all the properties at \$2,000,000,000.

Mr. MADDEN. Are those based on the book values?

Mr. LAMAR. As I explained in my testimony the other day, it is based upon as accurate a valuation as the experts could figure to be the present value of those properties.

Mr. MADDEN. That is the value; but what is the amount of the investment?

Mr. LAMAR. The amount of the investment, we call that invested capital, investment of capitalization, that is, the stock and bonds of those companies, would be considerably less.

Mr. MADDEN. It would be less than the amount upon which you base the percentage for dividend purposes?

Mr. LAMAR. Yes, sir.

Mr. STEENERSON. How much compensation would you be allowing, then, upon the total bonded indebtedness and the stock issues?

Mr. LAMAR. That varies in each case according to the performance of the company—what it is doing; what it is making.

Mr. STEENERSON. How much less is the capitalization than the total of the bond and stock issues?

Mr. LAMAR. In the Bell company it is about \$900,000,000 stocks and bonds, and \$1,200,000,000 investments.

Mr. MADDEN. So that you allow \$400,000,000 more capitalization for the purpose of this adjustment?

Mr. LAMAR. Three hundred million.

Mr. MADDEN. Yes; that is right, \$300,000,000 for the purpose of this capitalization, upon which you authorized dividends, that is not classed as investment?

Mr. LAMAR. Yes. It is money that has gone into the property in the shape of—

Mr. MADDEN. From the earnings?

Mr. LAMAR. In the shape of surplus or in the shape of unexpended depreciation reserve.

Now that brings me to the point that the last witness was discussing as to the amount of this depreciation reserve.

Mr. STEENERSON. You assume that these telephone companies with which you have made agreements are undercapitalized to the extent of \$300,000,000?

Mr. LAMAR. That is the Bell Co. itself.

Mr. STEENERSON. Three hundred million?

Mr. LAMAR. That company is; some of them may be overcapitalized—one or two of them are overcapitalized.

Mr. STEENERSON. You have allowed them interest on that excess?

Mr. LAMAR. No; we have taken into consideration, as I explained in my original testimony, a great many elements in arriving at this compensation agreement, and it would be hardly worth while to go over that now.

Mr. STEENERSON. I thought you said you allowed 5 or 6 per cent, based upon that?

Mr. MADDEN. That is based on the ascertained capital, without respect to stock or bonds.

Mr. LAMAR. As a matter of fact, the compensation agreements run about 4 to 6 per cent on the property investment. It is not the same thing in all cases.

Mr. MADDEN. On the amount of the capital invested?

Mr. LAMAR. The average here runs 5.32 on the valuation. It would amount to more than that—somewhere in the neighborhood of 7 per cent, probably—on the capitalization.

Mr. MADDEN. Who ascertained the valuation—how was that ascertained?

Mr. LAMAR. We have several experts. We have Prof. Adams, who originated and started the system of bookkeeping in the Interstate Commerce Commission, and is now one of the professors in the Michigan University. He is the head of the experts. We have Prof. Friday, who is a very competent man and has been connected with a good many works of a similar character, and a known expert in that line. We have Mr. Sloan as a valuation expert. He has valued a great many public utilities throughout the United States.

We have relied upon the best information we could get from these gentlemen, who have studied the thing from an entirely public standpoint, and their figures have been used.

Mr. STEENERSON. How does it happen that it took an expert commission 10 years or more to value the railroads, and your commission has valued all these telephone and telegraph lines in a few weeks?

Mr. LAMAR. We did not pretend to make an actual physical valuation of the properties; that was impracticable. We do not fix the compensation agreements upon valuation strictly, but we use that as one of the elements in the background; and it was the productive capacity of the property on the one hand and protecting the investments to the public, to the extent of revenues being produced would protect them—all of which I explained in my original testimony—that influenced us very largely.

Mr. STEENERSON. Did those men make a valuation of the Postal lines, the telegraph and cable lines?

Mr. LAMAR. That is another subject of explanation in my former testimony. The Postal Telegraph-Cable Co. declined to give us any information. They said they did not know themselves; they had no basis of valuation, and had to guess at it.

Now, I would like to continue the line of thought I had here. On this question of the 5.71 per cent depreciation charge by the Bell Co., our information is that the depreciation reserve in that case is expended in keeping up the properties as fast as they deteriorate, and whatever is left—that is, the balance of the unexpended depreciation reserve—all goes into property.

Mr. MADDEN. It is all added to the capital?

Mr. LAMAR. No; it is not added to the capitalization.

Mr. MADDEN. It is added to the value?

Mr. LAMAR. It goes into the value of the property upon which there are no interest charges, and, to a certain extent, the public gets the benefit of that money. It increases their facilities for conducting the business and expanding the business.

The last witness is mistaken in thinking that 5.71 per cent is a fixed element of depreciation that is allowed to all companies. The experts in figuring out this scheme upon which these contracts have been made, have determined, and I think it is a perfectly sound proposition, that we could make compensation agreements that would be perfectly fair to those companies without taking into consideration the question of depreciation at all; in other words, the companies could take whatever money that was charged to the depreciation reserve and take their property back with that additional amount of money—they would get the money itself instead of having a depreciation reserve kept up. Therefore we have considered the depreciation reserve as a matter of contract in each case, and the Postmaster General has contracted in each one of those cases to

keep up the depreciation reserve that the company itself was keeping up.

Mr. MADDEN. In order that they might have a capital with which to expand and maintain?

Mr. LAMAR. Yes. That is the same depreciation reserve, and that depreciation reserve is subject to investment in the property, just as the companies are investing their depreciation reserve in property. And all improvements are to be agreed upon by the company and the Postmaster General. So that the gentleman is entirely mistaken in thinking that there would be \$1,000,000 in his State necessarily taken from the public by reason of this depreciation reserve of 5.72, as is charged by the long-distance lines at any rate.

Mr. MADDEN. So that the theory of the Post Office Department is that of the 5.72 depreciation reserve, whatever it amounts to, that will be the only money that will be used by the Postmaster General in the maintenance or extension of those plants during Government control; is that right?

Mr. LAMAR. No; the maintenance fund is an entirely different thing.

Mr. MADDEN. Extension, or whatever it is—restoration?

Mr. LAMAR. No; there is a further provision in the contract that for any general extension work that the companies and the Postmaster General may agree would be beneficial to the property or required by the public that the companies themselves will, upon the basis of their property, borrow money and make these extensions during the period of Government control exactly as they have done heretofore, and the department assumes the responsibility of the cost of that money if it goes into the property and it has that much more property upon which compensation is to be paid. And the public gets that much more property to use. And that is the basis; that is the standard of the compensation that is to go to the companies, simply being the cost of the additional money.

Mr. MADDEN. In other words, the Government of the United States stands sponsor for the rate of interest to be charged for the money borrowed for that extension you have just described; is that right?

Mr. LAMAR. Yes, sir; and, of course, the Postmaster General is to pass on the loans.

Mr. MADDEN. What responsibility would attach to the Government of the United States, after the period of Government control, where money is borrowed under such circumstances?

Mr. LAMAR. None at all. They borrow the money individually as corporations and put it into the property. There are no entanglements here that need embarrass the committee.

Mr. HOLLAND. Could you file a list with this committee showing the names of the companies with which you have made contracts, their mileage, the compensation paid to each company, the receipts from each company since Government control, and the cost of operating each company since Government control? I would much appreciate it if you could.

Mr. LAMAR. I am having that statement made up at the request of Mr. Madden.

Mr. MADDEN. I am much obliged to you for the information given us this afternoon.

Mr. LAMAR. This is a part of the information. I may add for the committee's information that our experts are making up a statement covering this toll-rate proposition, on which we had some expert from the commission before the committee to-day. I hope that will be ready in a few days, showing exactly the effect of that order. I want to say further that I am on that committee, and I never saw any statement given out to the press to the effect that this was a reduction in revenue. As a matter of fact, it is not a reduction in revenue.

Mr. STEENERSON. Oh, no; the statement I saw in the newspaper was that it was a reduction in rates.

Mr. LAMAR. There was a reduction in night rates.

Mr. STEENERSON. It indicated they were making a reduction in rates.

Mr. LAMAR. There is a reduction in some rates, of course; but it is not a reduction in revenue. I want to add further that I notice that my friend the president of the commissions here stated there had been no increase in labor cost since the 1st of last August, when the Government took control. There has been a good many millions of dollars of increase in the cost of operation; there has been a very considerable increase on the part of labor.

STATEMENT OF MR. EDWARD REYNOLDS, VICE-PRESIDENT AND GENERAL MANAGER OF THE POSTAL TELEGRAPH-CABLE CO.

Mr. REYNOLDS. The attitude of the Postal Telegraph-Cable Co. toward this resolution, or the resolution that is in your hands, whether it means an extension of time or permanent Government ownership, I think is well known to everybody. But it seemed to me to be important that I should come before this committee and make a few statements I had in mind and give to you a few of the conclusions I had reached in connection with this problem.

In order that you might be able to place a proper weight upon any statements I make or draw your own conclusions from them, I think, perhaps, it would be well to state—although it is personal—that I have been 38 years in the telegraph business. I began as a messenger boy and I have served in every capacity from telegraph operator to office manager and through almost every department, except the technical engineer department. I was for 20 years in the operating side of the business; I was for 13 years its chief accounting officer, and for the past five years I have been devoting my time entirely to the work of coordinating the service, the operations, with the expenses, with a view to keeping the operating expenses in the proper limits. It has been my duty as general manager of the system to keep in mind always that I must keep my revenues up and keep my operating expenses down if I was to be successful. And I have had to approach that subject from the standpoint of service, because service with us meant business.

Another thing I would like to add is, except for the period when I served as a messenger boy, my life has been spent in the service of opposition companies. I have not worked for the Western Union Telegraph Co. since I left it as a messenger boy, and that means, to those who know what it means to work for a competing telegraph

company, that we have had to buck the tide. Our path—my own, at least—has not been an easy one.

I mention this just to bring out this thought, that having been able to earn a living for the past 38 years and having attained a certain degree of success in my line, I feel perfectly confident of being able to earn my living with the Postal Telegraph business or in some other line of business, and I am not appealing at all in my own personal interests. I have been with the Postal Telegraph Co. for 30 years, and I know its history; I know how it has treated its employees, and I feel a deep sense of loyalty to that institution. I feel, personally, that we have been outraged, and because of that I have, perhaps, been intensely a Postal man.

I have prepared a few of my remarks here in order to get my real views before you in a definite and concrete way, so that there can be no misunderstanding as to what I say or the conclusions I have arrived at. And, if you will permit me, I will read them.

Mr. MADDEN. And you would rather be permitted to proceed without interruption?

Mr. REYNOLDS. I would prefer that and, after I have made this brief statement, I will answer any questions, if I can. I have read a synopsis of the remarks made to you by Mr. Lamar, the Solicitor of the Post Office Department, a week ago, and from his remarks I gather that the only excuse for the Government retaining its present control of the telegraph and telephone lines is to increase telephone rates and to finance crippled telephone companies. It certainly was not the purpose of Congress, when it authorized the taking over of the control of the telegraph and telephone lines, to impose a burden upon the users of the telegraphs and telephones by increasing rates; neither was it the intention to finance the companies with Government funds. It is my opinion that if telephone rates are to be advanced, they should be advanced in the regular way, by application to State commissions and after getting their approval. To utilize the Government control of the telephone lines for increasing telephone rates, as is now being done in a revision of the long-distance telephone rates by the Postmaster General, and which the public service commissions are strenuously opposing, is assuming authority that Congress did not confer upon the Postmaster General.

Why should the Government stand the losses of these telephone companies or use its power to increase rates so that the losses fall upon the public? I do not believe your committee will approve the proposition now before it to extend Government control of the telegraph and telephone lines for two or three years in order that the Government may finance crippled telephone companies and increase rates.

There has been a contest going on between the Bell Telephone and independent telephone companies for a period of 30 years and the public has greatly benefited by the competition between these companies through improvements in apparatus and in service. Private enterprise and individual initiative has been stimulated, and the greatest improvement in telephone apparatus and in telephone practice is due to the stimulus of competition. The Bell Co. has bought up many of the independent telephone companies and is still competing with some of them, and it has driven others out of busi-

ness. The Government action in taking possession of the telegraph and telephone lines as a war measure should not be misused to finance broken-down telephone companies or to increase telephone rates generally, and, yet, that is about what Mr. Lamar's plea really means.

I am reliably informed that most of the independent telephone companies were making money at the time the Government took them over, and I am also informed that they wish their properties returned at once, notwithstanding the statements made to this committee to the contrary. There is absolutely no justification for the Government hanging on to these telephone lines in order to pay losses and increase telephone rates. An order has been issued by Postmaster General Burleson which would result in an increase, but we are opposed to any increase. There is a storm of protest coming from all over the country against these increases of telephone rates. Has Mr. Burleson taken possession of the telephone lines merely to increase telephone rates?

As regards the telegraph companies, I can not understand why the Government wants to hold on to the telegraph lines. There is absolutely no need or occasion for it. An extension of time will be injurious to the service, due to the uncertainty existing among the employees as to their status, this uncertainty increasing day by day. Mr. Burleson's operating committee, consisting of a Western Union man, two Bell Telephone men, and one Independent telephone man, had within the past few days tried to get the Postal Co. to agree to increased telegraph rates, and the Postal Co. has refused. If the Government will turn back at once the Postal telegraph lines, we will continue to carry on the telegraph business at present rates, but there is no knowing what increase of telegraph rates may be necessary if the operating methods and the policies and the staff organization upon which the splendid service of the Postal has been built, are to be disorganized and destroyed by governmental management. No reason has been given for the Government holding on to the telegraph lines, and even Mr. Lamar has not attempted to justify it. It certainly is not needed for war purposes any longer, even if it was needed last August when the Government took over the lines. Public sentiment is opposed to it, and no one is willing to admit he wishes the Government to keep the telegraph lines in order to bring about Government ownership; I mean, no one excepting Mr. Burleson himself, because that purpose is a perversion of the purpose for which Congress authorized the seizure of the lines. I have heard of no argument which justifies the Government holding on to the telegraph lines any longer, and if there is an argument other than ultimate Government ownership, I would like to know what it is.

Now, a few words as to compensation. Why should the Government be paying to the Western Union a greater compensation than the Western Union is earning at present? Of course, Mr. Burleson will deny that he is paying more, but I have studied the figures, and if this committee will look into them I think the committee will find that the Western Union is not earning the compensation which the Government is now paying that company, or intends to pay. According to Mr. Lamar's statement, the Government is already paying the independent telephone companies more than they are earning, because he says the Government should keep control in order to carry

them over their financial troubles. I think, too, this committee would find that the Government is paying the Bell Telephone Co. more than it is earning at the present time.

It is a fact that the telegraph business has declined in volume since the armistice was signed, while expenses have increased very materially, and I have no doubt the same is true as to the telephone business. Why, under these circumstances, should the Government wish to continue its control over the operations of the telegraph and telephone companies and accept great losses to be made up through taxation, when by turning back the lines at once it can relieve itself from that obligation?

The whole situation looks to me like a scheme for the raising of telephone rates and the financing of crippled telephone companies and to carry the Western Union through troublous times, and, in addition, with a view to consolidating all of the telegraph, telephone, and possibly cable lines into one huge monopoly.

Mr. STEENERSON. That is the scheme that has been advocated by Mr. Veil, isn't it?

Mr. REYNOLDS. For years. Everything indicates that this is the general plan toward which all these parties are working, namely, Mr. Burleson, the Bell Telephone, the Western Union, Mr. Vail, and Mr. Carlton. It is the only intelligible explanation of this proposition to allow the Government to keep these lines from two to three years longer. There is certainly no good reason why all the lines should not be turned back at once and the Government loss stopped.

The idea that a great consolidation of telephones, telegraphs, and cables and the wiping out of competition and the grant of subsidies for new cables will confer great benefits upon the American public, is put forward to mislead the public. Such a combination would impose a hardship upon the public without giving it a single advantage it does not enjoy to-day. It might be called a hobby of Mr. Vail if it were not for the fact that back of it is the selfish intent to set up a monopoly for the benefit of his companies.

The American telegraph service is the finest in the world. It has been built up under competition by private companies, and every improvement in the art and in the service is the result of competition. If that competition is removed, individual incentive and initiative will be removed and there will certainly be a lowering in the standard of service and an increase in the cost to the public.

We are facing a situation to-day when the most rigid economy must be exercised by all the people of this country, and the people will expect the Government to be as careful in its expenditure of public funds as the individual will be required with his private funds. This is no time for the Government to be extravagant and to employ the public moneys to finance broken-down telephone companies any more than to finance broken-down trolley lines and other similar utilities. And all this is to be at the expense of the taxpayer. Are not taxes high enough now? The people are tapped by taxes until they are almost hectic. Income taxes, inheritance taxes, State taxes, and municipal taxes are approaching confiscation. It is easy to spend money, but hard to get it.

In his statement of a week ago I see that Mr. Lamar stated that the Mackay companies are the only people opposed to the extension of time. I do not believe that is true; but even if it is true, it is to

the credit of the Mackay companies that they are not trying to sell out to the Government or hunting for Government pap. The Mackay companies wish to get back to the legitimate business of giving competition in telegraphy and cabling, and I would add in long-distance telephone service, in which we are already extensively engaged, to the discomfiture of the Bell Telephone Co. Our long-distance telephone rates are less than those charged by the Bell Co., and we have no intention of increasing them unless absolutely compelled to do so.

One word more. There is one phase of this question which your committee, I think, should certainly look into. The public does not know what awards of compensation, including assumed obligations, have been made by Mr. Burleson to the various telephone companies and the Western Union and how much money the Government will be responsible for, which your committee will have to authorize the payment of later on. I think the public should know just what the present receipts of those various telephone companies, as well as the Western Union, are from month to month at the present time, so that they may figure out just how much of a deficit is being incurred from month to month. I believe there is such a deficit. It will be necessary for you, in figuring out these awards, to obtain the actual figures as to obligations on leases, guaranties, etc., assumed by the Government, in addition to the cash payments to be made by the Government to the companies direct. The awards, as made, are rather blind in that respect, and there is every reason why your committee should have full information as to just what obligations the Government is incurring now under these awards and just how much income the companies are receiving at the present time, month by month. With this information before you I do not believe you will hesitate about returning the properties at once.

The Postal Telegraph desires the immediate return of its property and is willing to take its chances as to the future. It is not asking for financial assistance from the Government, and, as it has repeatedly stated, it has no intention of increasing rates if it is permitted to conduct its business as heretofore. It is willing to meet changing conditions, and it believes it can successfully meet the economic problems of the future, as it has in the past.

The CHAIRMAN. Mr. Reynolds, what position do you occupy?

Mr. REYNOLDS. I am the vice president of the Postal Telegraph.

The CHAIRMAN. And Cable Co. You live where?

Mr. REYNOLDS. New Rochelle, N. Y.

The CHAIRMAN. Is the Postal Telegraph Co. now operated by the Government of the United States?

Mr. REYNOLDS. Theoretically; yes.

The CHAIRMAN. Theoretically; what do you mean by that?

Mr. REYNOLDS. The Government up to the present time has not actually taken over the operation of the company; that is, they have not entered our offices, inspected our properties or our service, or directed us in any way, except from Washington, so far.

The CHAIRMAN. The Government has laid no hands on you, then?

Mr. REYNOLDS. Yes; it has dismissed me.

The CHAIRMAN. What?

Mr. REYNOLDS. I was dismissed on December 1, as the general manager of the company.

The CHAIRMAN. You were general manager of the company, and you were dismissed from the company by the department?

Mr. REYNOLDS. By Mr. Burleson.

The CHAIRMAN. Was there any trouble causing that?

Mr. REYNOLDS. Yes; I disagreed with Mr. Burleson in certain matters. I do not know whether the committee would be interested in it or not.

Mr. RAMSEYER. Yes; we would like to hear it.

Mr. REYNOLDS. Immediately after the Government assumed control of the telegraph Mr. Burleson, through his committees began an arrangement for the consolidation of the Postal Telegraph Co.'s offices and the Western Union Telegraph Co.'s offices—not by any public announcement, but the committees were appointed without any conference with me; and all of our superintendents throughout the United States, acting under direct orders from the department here, were ordered to confer with the Western Union superintendents and the postmasters in the local cities and towns, and these three, acting as a local committee, to arrange for the consolidation of the telegraph offices in those cities and towns. They were acting under instructions which told them they must disregard all personal and corporate interests. That was going on from August until the signing of the armistice without our knowledge.

Mr. MADDEN. September, you mean?

Mr. REYNOLDS. It began in August, and that work was going on right along without any official knowledge on my part. And I looked upon that as a move toward the destruction of the Postal Co.'s property, because it meant the destruction of our organization to consolidate our offices with the offices of the Western Union Telegraph Co., and would mean the destruction of the staff organization that it had taken us 35 years to build up. And after the armistice was signed one of our superintendents of the western division wrote me a letter stating that, as the war emergency had passed, he thought we should retard and delay this work of consolidation that was going on. I sent a copy of that letter to eight of our superintendents, because I thought they should see how that man viewed that subject. A copy of that letter reached the Postmaster General and he dismissed me because I had sent that letter out.

Mr. MADDEN. He dismissed you for insubordination?

Mr. REYNOLDS. I suppose that was the term.

The CHAIRMAN. Are those the letters (exhibiting papers to Mr. Reynolds)?

Mr. REYNOLDS. Yes; they are the letters.

The CHAIRMAN. Please read them to the committee.

Mr. REYNOLDS (reading):

DEAR MR. REYNOLDS: Let's retard and delay, as much as possible, any consolidation now the war is over. In fact the emergency having passed (if it ever existed) which brought about Government control there can now be no good reason for consolidation. I will always believe it was a deep-laid plot of the Western Union, who saw coming the enormous decrease in its net, and deliberately set about to take advantage of the situation and force Government intervention so it could unload its frightful overhead expense. Let's impede and obstruct from now on any consolidation. Thank God for a Republican House and Senate, too, possibly. Let's fight to preserve our property and our organization. Do not think me presumptive; my heart is interlaced with the welfare of our company.

The CHAIRMAN. What is the date of that?

Mr. REYNOLDS. November 7. That is the day the people of the whole United States were celebrating the signing of the armistice.

The CHAIRMAN. Which was on the 11th?

Mr. REYNOLDS. There was an incorrect report. And on November 12, one day after the armistice was actually signed, I sent this out.

The CHAIRMAN. To whom did you send it?

Mr. REYNOLDS. This is not a correct copy. I sent this to six superintendents in the East and to our general superintendent in Chicago and the general superintendent at Atlanta. This is addressed to all managers or superintendents, but I did not send it out in that number. But this is not a correct copy of it, and whoever made this copy purposely omitted the date.

The CHAIRMAN. What is the date of it?

Mr. REYNOLDS. There is no date on it.

The CHAIRMAN. What was the date?

Mr. REYNOLDS. November 12.

The CHAIRMAN. Is the body of it the same?

Mr. REYNOLDS. I think so.

I have been so much impressed with the spirit of loyalty shown by the attached letter from Mr. Richards that I am sending you a copy of it, knowing you will be impressed by it as I was.

The main thing in the letter is his intense loyalty.

The CHAIRMAN. When were you discharged?

Mr. REYNOLDS. November 30.

The CHAIRMAN. Do you think the Postmaster General could keep you decently, after that?

Mr. REYNOLDS. I have no feeling at all because of my dismissal. I think the Postmaster General knew what I would do in view of what I was doing.

The CHAIRMAN. In view of your disloyalty to the situation?

Mr. REYNOLDS. No; I was inferring that the Postmaster General was actually doing something which the law of Congress did not authorize him to do.

The CHAIRMAN. What was your position with the Postmaster General?

Mr. REYNOLDS. I considered myself always as an employee of the Postal Telegraph Co., acting theoretically under the Postmaster General.

The CHAIRMAN. What were you doing for him that you were dismissed from?

Mr. REYNOLDS. General manager in charge of the operations of the company.

The CHAIRMAN. And you were making that kind of an impression against the Government. I want to ask you this: What valuation did the Mackay Companies place upon their properties?

Mr. REYNOLDS. They did not place any value upon it.

The CHAIRMAN. Didn't you make some contract about it, or propose some contract?

Mr. REYNOLDS. No.

The CHAIRMAN. On what basis are you being paid? You say—

Mr. REYNOLDS. The Postmaster General—we could not agree with the Postmaster General as to compensation, and the Postmaster General made us an award which we have not accepted.

The CHAIRMAN. On what basis?

Mr. REYNOLDS. I believe his basis—he fixed an arbitrary valuation of \$28,000,000 on our property.

The CHAIRMAN. Twenty-eight million. Isn't it a fact that the Mackay Co. gave in its valuation of its properties to the Interstate Commerce Commission not at \$28,000,000. but at \$6,647,472?

Mr. REYNOLDS. No, sir; the Mackay Co. never gave any such valuation as that as indicating the value of its properties.

The CHAIRMAN. No; but didn't you give the valuation—not what is indicated; it speaks for itself.

Mr. REYNOLDS. The properties of the Postal have been carried, the subsidiary companies, only the nominal values, and it is those nominal values which, added together, total the \$6,000,000 referred to.

The CHAIRMAN. Why do you get compensation on \$28,000,000, then, if it is only six?

Mr. REYNOLDS. That is what I don't understand. Furthermore, the production was \$4,269,000 last year.

The CHAIRMAN. It was to your interest to make the value just as low as you could to the Interstate Commerce Commission, wasn't it?

Mr. REYNOLDS. No interest whatever.

The CHAIRMAN. What would have been the difference in the results there if you had valued it at \$28,000,000 instead of six million?

Mr. REYNOLDS. I do not know as I understand that question.

The CHAIRMAN. Mr. Black, will you read this statement for me.

Mr. BLACK. This is a statement by Mr. Lamar:

I may call the attention of the committee to the fact that the low valuation of the Postal Telegraph properties sworn to in its report to the Interstate Commerce Commission—namely, \$6,647,472—if followed by the State tax authorities will enable the Mackay companies to avoid taxation on over \$20,000,000 upon the basis of \$28,000,000 valuation used by the Postmaster General in arriving at his award of compensation to the Mackay companies for the use of these properties, and which compensation the Mackay companies now claim is grossly inadequate.

If the sworn statement of the Mackay companies to the Interstate Commerce Commission as to the value of this property is correct, then the compensation for the use of the property by the Government insisted upon by the Mackay companies—namely, \$4,200,000 per annum—if granted, would be 63 per cent per annum on the investment value.

If \$28,000,000, the basis used by the Postmaster General in his award, should prove to be the maximum valuation of the property, then the \$4,200,000 claimed by the Mackay companies to be the just compensation would be about 15 per cent on the investment value of the property, or between two and three times as much as the compensation fixed by agreement with the other telegraph and telephone companies. The Mackay companies in their sworn statement to the Interstate Commerce Commission charge to depreciation on these properties for the year 1916, \$2,197,900. The charge for the same period as appears on their sworn answer to the questionnaires to the Post Office Department is \$427,803. For the year 1917 their report to the Interstate Commerce Commission showed a depreciation charge of \$2,350,200, while the amount of depreciation for the same period reported on the questionnaires to the Post Office Department was only \$448,975; and, I may add, in their statement before the wire committee the officers of the company claimed that the latter figure, \$448,975, represented the maximum amount ever actually applied to depreciation in any one year. In view of the conflicting sworn statements of the Mackay companies referred to, the Post Office Department knows of no way to adjust the matter except in a suit in the Court of Claims, where evidence could be taken and the matter judicially determined; but this course does not seem to be acceptable to the Mackay companies, who apparently prefer to try it out in the newspapers.

The CHAIRMAN. There is the statement of the department.

Mr. REYNOLDS. The inference from the first is that by this arrangement of the companies as to the nominal values put upon them, they have been evading taxation. As a matter of fact, the taxes on the Postal Telegraph properties in the various cities and municipalities have been levied under the same process as upon the properties of every other company, the assessed values having been the same as those that have been placed by the Western Union Telegraph and not based upon book value. In order to properly understand our position, you have to go back in the history of the Postal Telegraph System, which is peculiar. As far back as 1890, when the elder Mr. Mackay was active in building up this system, there were 34 separate telegraph companies. At that time the situation was very much in the telegraph field what it is in the telephone field to-day—there were a great many companies. Those companies were all separately incorporated, and the elder Mr. Mackay, with his own personal funds gradually bought up the control in all these companies; and they have been carried along and continued until the present time, when we have 39 different companies. Now, it never was the policy of the Mackay companies to build up a big capital asset for the properties.

The CHAIRMAN. I am not going into the policy of the companies.

Mr. REYNOLDS. These are the facts. There is nothing in the Postal Telegraph business or in its accounting that is not subject to explanation if anyone wants to be satisfied.

The CHAIRMAN. I want you to explain in that connection—you have been the head of the concern, and the bookkeeper and all, haven't you?

Mr. REYNOLDS. Of the Postal?

The CHAIRMAN. You understand the whole system?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. What I want to find out—and you can explain in that connection, is why the difference between the figures you gave the Interstate Commerce Commission and the valuation as now claimed? How do you get at that in your bookkeeping business?

Mr. REYNOLDS. That has been explained to the Postmaster General, and I can not explain it any more clearly than I have already explained.

Mr. STEENERSON. Can't you explain it to us?

Mr. REYNOLDS. Yes. The explanation is simply this, gentlemen, and there is nothing very mysterious or difficult about it to understand: There are 39 companies in our system; they are all system companies, the stock in which is owned entirely by the Mackay companies.

Mr. RAMSEYER. Is this Mackay Co. the same as the Postal Co.?

Mr. REYNOLDS. The Mackay Co. is the holding company. The Mackay Co. is a holding company and it is organized in the form of a trusteeship under the laws of Massachusetts.

Mr. RAMSEYER. Those 39 companies you speak of are 39 separate corporations, and then the Mackay Co. is the holding company?

Mr. REYNOLDS. The holding company. In the contracts for the handling of the traffic between those companies the division of the tolls is arranged so that none of those local companies were supposed

to make any great amount of money, the profits flowing to the Mackay companies, the holding company. So that unless you take the 39 companies and add to the figures of the 39 companies the revenues from the land lines that went to the Mackay companies you do not get a full statement of the earnings of the land-line system. The Mackay companies is a trusteeship and was not subject to the interstate-commerce act, and the Mackay companies were never required to file reports with the Interstate Commerce Commission, and never have filed any; and the difference between the reports made to the Interstate Commerce Commission by those various 39 companies and the total figures that we now claim compensation for is the amount that the Mackay companies received from the land lines.

Mr. MADDEN. And when Mr. Mackay bought those 39 separate companies with his own money, he never increased the capital beyond what he paid; is that right?

Mr. REYNOLDS. No; he has never added that into the capital, never increased the capital.

The CHAIRMAN. How much profit did you claim the Mackay companies were making out of this?

Mr. REYNOLDS. Last year, \$4,269,000.

The CHAIRMAN. That is the amount you made on the value you represented to the Interstate Commerce Commission as \$6,400,000?

Mr. REYNOLDS. The nominal capital. And it is well understood; our books had been examined by the Interstate Commerce Commission several years ago.

The CHAIRMAN. I know; but it does not make any difference whether it is nominal or not. I asked you if that was the figure you gave to the Interstate Commerce Commission as the valuation?

Mr. REYNOLDS. No; we never reported any such figure as six millions.

The CHAIRMAN. Didn't you report the figure of \$6,447,000 to the Interstate Commerce Commission?

Mr. REYNOLDS. The aggregate amount of the sum of 39 reports—

The CHAIRMAN. Now, you admit you have been making \$4,200,000 on that, annually?

Mr. REYNOLDS. Not on that; we have been making \$4,200,000 out of our land-line properties.

The CHAIRMAN. What is your property worth?

Mr. REYNOLDS. Only a physical valuation will show.

The CHAIRMAN. What is your answer; you are manager, book-keeper, and vice president, and you have manipulated all those figures for 16 years and you know more about it than anybody else, and you can tell what you think it is.

Mr. REYNOLDS. I do not think it is my duty or place to make an estimate or guess of what I think the properties are worth.

The CHAIRMAN. You concede you are making a guess of what the properties are worth?

Mr. REYNOLDS. We claim that and your accountants admit it.

The CHAIRMAN (continuing). And you reported to the Interstate Commerce Commission that there were \$6,447,000. In other words, you are making on that much property valuation, according to your own statement, \$4,200,000, and you did not want to make any ar-

rangement with the Government or your country under those conditions?

Mr. REYNOLDS. We never made any claim or statement our property was only worth \$6,000,000.

The CHAIRMAN. Why did you limit it there, then, to that figure?

Mr. REYNOLDS. Because the property and the capital stock of all these companies have been carried at nominal value.

The CHAIRMAN. Didn't you make a sworn statement on record in that department to that effect, to the Interstate Commerce Commission?

Mr. REYNOLDS. It never was our intention——

The CHAIRMAN. Didn't you make a sworn statement; I ask you that first?

Mr. REYNOLDS. No.

The CHAIRMAN. You never did make a sworn statement there to the Interstate Commerce Commission?

Mr. REYNOLDS. We have certified to the accuracy of the balance sheets showing——

The CHAIRMAN. Mr. Reynolds, that is not the question I asked you: Didn't your company make a sworn statement to the Interstate Commerce Commission in this connection?

Mr. REYNOLDS. That our companies, the local companies, report an equity in the property aggregating \$6,000,000; yes.

The CHAIRMAN. Mr. Reynolds, did you make a sworn statement to the Interstate Commerce Commission of the value of this property?

Mr. REYNOLDS. Not of the actual value of the property.

The CHAIRMAN. What did you make it on?

Mr. REYNOLDS. The equity of the local companies in the property.

The CHAIRMAN. I know; isn't that the value?

Mr. REYNOLDS. That is not the value of the property.

The CHAIRMAN. How much more, then, is the value?

Mr. REYNOLDS. That I do not know, and it would be impossible for anybody to tell, because the moneys put into our system in the early days of its formation were not entered upon any books of account——

The CHAIRMAN. Mr. Reynolds, don't you know you never made any such statement to the Interstate Commerce Commission with reference to equities in the property, but you swore positively and unqualifiedly to the value of it at the figure of six million four hundred and some odd thousand dollars? Don't you know that is of record there in the Interstate Commerce Commission?

Mr. REYNOLDS. No, sir; the statement as I read it simply required the equities of the companies in those properties, and that is clearly understood.

The CHAIRMAN. I ask you: Did you swear to the value, regardless of any question of what is understood?

Mr. REYNOLDS. I could not swear to the value, because I do not know what it is.

The CHAIRMAN. You did not make any such statement as that, under oath, with the Interstate Commerce Commission?

Mr. REYNOLDS. Not with any idea of conveying the idea that was the value of the property.

The CHAIRMAN. I did not ask you about your idea; I want to know the fact.

Mr. REYNOLDS. The fact is this, that these companies were carrying the properties at nominal values; and as we report to the Interstate Commerce Commission, we never intended those to represent the book values.

The CHAIRMAN. I want to get the facts. I do not want to know any view about the equity and I do not want to know what view you took of it; I want to know the naked fact whether or not you made a sworn statement to the Interstate Commerce Commission giving the value of this property as \$6,447,000.

Mr. REYNOLDS. You have to go back to our practice, Mr. Chairman.

The CHAIRMAN. That is a fact; now, I want to know, as to whether you did it or not. The record there will show whether you did it or not, but I want to know from you.

Mr. REYNOLDS. The reports filed with the Interstate Commerce Commission showed nominal values.

The CHAIRMAN. That is not the question I asked you. I asked you whether you made any such affidavit.

Mr. REYNOLDS. I believe those reports carry a form of affidavit with them.

The CHAIRMAN. You did do it, then?

Mr. REYNOLDS. Yes.

The CHAIRMAN. And you think they are not giving you enough compensation and would not make a contract with them at \$28,000,000?

Mr. REYNOLDS. We say that the Government, having taken over our business, should pay us what we were making out of it at the time they took it over, and we were prepared to show what we were making out of our business.

The CHAIRMAN. You were making \$4,200,000 on that six million?

Mr. STEENERSON. Did I understand that \$28,000,000 was the figure determined by the Postmaster General?

The CHAIRMAN. I am asking him if that was not the figure of the Postmaster General, and he says now they wanted what the property was worth; that they wanted compensation on the basis of what the property was worth.

Mr. STEENERSON. I understood that figure was not given by the company; that that is the valuation put on the properties by the Postmaster General.

Mr. REYNOLDS. That is the valuation put on it by the experts of the Postmaster General without viewing the properties.

The CHAIRMAN. Wasn't that based on the \$4,200,000 profit you made out of it?

Mr. REYNOLDS. I do not know how he arrived at the \$28,000,000; it has been a mystery to me where he got that report.

The CHAIRMAN. Wasn't that the amount reported to the Postmaster General after inspecting your properties?

Mr. REYNOLDS. No, sir; the Postmaster General has not inspected our properties yet.

The CHAIRMAN. Didn't you decline a compensating agreement with your company, based on \$28,000,000 as the valuation of the property that you had said under oath you deemed was worth only \$6,000,000?

Mr. REYNOLDS. We declined to accept \$1,680,000, because we considered that was a confiscation of our properties, because we had satisfied the Postmaster General our property was yielding over \$4,000,000 a year.

The CHAIRMAN. Mr. Reynolds, were you always opposed to the control of those companies by the Government?

Mr. REYNOLDS. When the Government decided to place the telegraph under control of the Government as a war emergency, I accepted that heartily and fully, and I wrote to the Postmaster General on August 1 and gave him a long list of suggestions which were as practicable as any he could get from anybody and which were offered with the utmost sincerity. I believed, like every other American at that time, that the one great thing was a winning of the war, but I had resolved if the running of the telegraphs meant the winning of the war, I was for it. And I have not meddled or in any way opposed control of the telegraph by the Government until the armistice—

The CHAIRMAN. Did you express the opinion it was proper for the Government to control those things?

Mr. REYNOLDS. No, sir; I do not believe it is in the public interest for the Government to control.

The CHAIRMAN. But you would not accept compensation on the basis of \$28,000,000, and the proof showed that you were making a profit of \$4,200,000, when you stated in a sworn affidavit that your property was only worth \$6,000,000?

Mr. REYNOLDS. We never conceded anything of the sort.

The CHAIRMAN. The record shows it and you just admitted it, just 10 minutes ago.

Mr. REYNOLDS. I never admitted our properties were worth only \$6,000,000. You must keep in mind we are operating under tariffs in use by the Western Union as well as ourselves. We haven't any special tariffs. And we are operating under the same difficulties as they are operating. And it is ridiculous for Mr. Lamar to say, as he has said, that our profits are unconscionable, when you consider the tariffs are the same tariff rates as the Western Union provides.

The CHAIRMAN. You were dismissed, weren't you?

Mr. REYNOLDS. Yes; I certainly was.

The CHAIRMAN. Because of your treasonable conduct?

Mr. REYNOLDS. I take exception to that remark.

The CHAIRMAN. That is my conception of it.

Mr. MADDEN. I think that ought to be stricken out. If he has committed treason I think he ought to be arrested and tried for it.

The CHAIRMAN. Did you write that letter?

Mr. REYNOLDS. Yes; I wrote that letter. The Postmaster General was violating the law and I undertook to stop it after the armistice was signed and the danger was passed.

Mr. MADDEN. If he has committed treason, I think the man ought to be arrested and tried for it; but I think that remark ought to be stricken out.

The CHAIRMAN. That is my construction of it.

Mr. REYNOLDS. My only child, and my daughter, is in France to-day as a Red Cross nurse.

The CHAIRMAN. Nobody is talking about your loyalty.

MR. REYNOLDS. I won't permit you or anybody else to impugn my loyalty.

The CHAIRMAN. Nobody is impugning your loyalty.

MR. REYNOLDS. Mr. Burleson did.

The CHAIRMAN. You were disloyal to Mr. Burleson, weren't you?

MR. REYNOLDS. Mr. Burleson was untrue to his trust.

MR. MADDEN. I think we ought to proceed with the examination of the witness as if he was a human being.

The CHAIRMAN. Mr. Reynolds, I want to ask you whether you wrote that letter or not; I suppose that is not an improper question.

MR. REYNOLDS. No; I wrote that letter.

The CHAIRMAN. That is a letter you wrote to the department?

MR. REYNOLDS. Yes, sir.

The CHAIRMAN. Unless the committee wants to read it, I will just let it go in the record.

(The letter identified by Mr. Reynolds is as follows:)

POSTAL TELEGRAPH-CABLE CO.,
New York, August 1, 1918.

HON. A. S. BURLESON,
Postmaster General, Washington, D. C.

DEAR SIR: In presenting my suggestions connected with a unification of the telegraph and telephone systems under Government control to secure a standardization of methods employed to bring about a higher state of efficiency, so that wasteful duplication of work may be avoided, it is necessary to do so at some length, but I hope what I have to say will be found helpful.

In the memorandum left with you Tuesday I discussed the following matters:

Putting the telegraph service on a cash basis.

Discontinue messenger call boxes or put them on a pay basis.

Closing offices in hotels.

Damage claims.

Discontinue all "deadhead" service.

Regulation of private leased wires.

Regulation of newspaper service.

Regulation of pony wires.

Elimination of claims for damage.

Duplication of branch offices.

Service and rates.

The above subjects are important, and substantial economies and improvements in the service can be effected by dealing with them in a vigorous manner.

It is highly important at the outset to arrange for a system of statistical control that will give you a grasp over the results secured, so that mistakes or wasteful practices can be readily detected and eliminated. It is only by following the receipts and the disbursements carefully that the service can be brought to the highest point of efficiency without excessive cost. The system followed by us, and upon which we rely to obtain control over the affairs of the Postal Telegraph System, is elastic enough to perform the same function over all the companies, with such modifications as may be found necessary. From the series of records submitted to you on Tuesday we are able to follow the labor cost for the handling of telegraph traffic in the large centers where the opportunity for extravagance and misdirected effort exists from the time an operator is assigned to work until he is relieved, getting his record of work for every hour and fractional parts of an hour, and his, or her, average cost per message. These figures are carried through the statistical reports so that we are able to separate the expenses in every city and town into three parts or departments, thus placing the responsibility for an increased operating cost upon those responsible for the conduct of the business in each of these three great departments. The responsibility for the upkeep and increasing of receipts is also easily fixed through these records.

In addition to getting an analysis of results in each city separately, we are able, by combining the statements, to prove up the general results for the entire system and thus ascertain whether the results of the individual cities are in harmony with the general results. If not, we are able to turn back to the

original sheets and pick out the particular cities that are out of harmony, either as to revenues or expenses, and bring about a correction. In short, we have a system of statistical control which only calls for intelligent supervision to get the best results. I think you will appreciate, too, that by following the dollars we are led to the weak spots in the service. We have under this plan succeeded in increasing our gross revenues steadily one year after another without permitting the operating cost to consume the increased gross. The receipts and operating expenses of the Postal System show that even under war conditions we have reduced the cost of operations, which, I think, is convincing that the methods outlined to you and your assistants verbally on Tuesday, and briefly referred to above, although very simple will bring about the situation you desire.

If I may be permitted to say so, the most important thing, to my mind, however, now is that of organization.

Organization.—A telegraph organization should be as simple as possible. The first essential in this business is to furnish to the public convenient and reasonable means of filing their telegraph messages; and, second, to see that the messages are promptly and accurately transmitted and delivered. The channel of communication between the operating staff and the executives who are intrusted with the work of carrying out the policies of the company should be kept as clear as possible; otherwise, there is likely to result a tremendous duplication of work that will not contribute toward the success of the service. Every employee from the bottom to the top and vice versa must be an active worker producing something for the good of the service; all nonproducers should be transferred to places where they can be profitably employed. The revenues of the company should not be consumed by too many officials who oftentimes are consumers and not producers.

I would suggest that a list of all officials (and in this list I would include general managers, vice presidents, commercial agents of every description, district superintendents and solicitors) be prepared, and after having this list in hand decide how many on the list are unnecessary under Government control and detail these to essential duties.

Wages of employees.—The basis of all wage ratings should be that of performance, and it should be understood always that whatever rate of pay the recipient is expected to render a proper equivalent in labor therefor.

The hours, rates of pay, etc., of both companies should be on the same basis, the labors and responsibilities of the individual employees being taken into consideration.

The employees of one company should not be hired by the other company unless the employing company's consent is obtained. It should be understood that if one of the companies in any particular city or town has more help of any grade than it can keep profitably employed, it should acquaint the management of the other company of it so that a transfer of help can be effected. Such a practice will stabilize wages and conserve labor. The present Western Union practice of hiring away from the Postal its employees increases the pay roll and keeps the employees of both companies in a state of unrest.

General accounting.—One of the most wasteful features in the telegraph service is the accounting work connected with the handling of charged accounts and reports of agents. The business has outgrown the present system of accounting so far as it gives us a check upon the money collected by a local agent. It is possible to effect great economies if it can be arranged to put the telegraph business upon a cash basis and discontinue credit to all patrons and by having the original messages filed in every city and town forwarded to the postmasters in each city and town daily, thus provide a check against messages being sent without being covered with a suitable amount of stamps. The postmaster or those working under his direction would supply an outside independent control over the telegraph manager, and the present cumbersome and expensive system of checking the monthly reports of one office against the reports of another can be discontinued entirely. This latter system does not reach the spot until two or three months after date and is ineffective. The expense connected with a verification of the telegraph toll charges, as indicated, can be distributed between the two companies and paid for by them according to the number of messages handled and not be a burden upon the operating expenses of the Post Office Department while the telegraphs are under its control.

Unnecessary duplicate offices.—In every large city each telegraph company operates what is known as a main telegraph office; they also operate branch offices for the collection and delivery of telegraph messages, but the greater

part of the branch offices are necessary solely because of the competition which exists. A tremendous saving in labor can be effected immediately by the closing of such unnecessary offices, and I would suggest that without undue delay steps be taken to close such offices as are unnecessary because of the elimination of competition and transfer the staff in all such offices to the main offices and to branch offices that are necessary, so as to fill up the staff in those offices and eliminate overtime, which is paid for at higher rates of pay. In this way a great economy can be worked without imposing a hardship upon the employees and without inconveniencing the public.

We should take steps immediately to close one office in all small cities and towns where it is possible owing to the small volume of business, to handle the telegrams in that city and town efficiently and without inconvenience to the public through one office. In this way wires will be released that are now devoted to local work, so that the number of through circuits between large commercial centers can be increased, thus speeding up the long-haul traffic and eliminating relays which cause delay and expense. The work of closing offices should of course be done gradually but as expeditiously as consistent with public service.

Commercial news service.—Under this head the telegraph companies are distributing quotations from the different stock exchanges and boards of trade charging their patrons for such part of the quotation report as each applicant applies for. It is a service that takes up much space upon the wires and yields little or no profit. The telegraph companies have, under competition, felt it necessary to furnish the quotations in order to obtain their proper share of the collateral business that resulted from the quotation reports. The traders who receive the quotation reports naturally file their orders at regular tariff rates with the company from which they receive their quotation. It is a form of service that I think should be carefully investigated and kept within proper bounds and put on a commercial basis. The distribution of quotations originating at the different exchanges is necessary to the exchanges, but, notwithstanding this distribution is a service to the exchanges, the telegraph companies are paying the different exchanges for the privilege of distributing their quotations. I think the use of the quotations should be free to the telegraph companies if this service is to be continued.

Superimposing talking circuits over Morse wires.—The Postal Telegraph System has developed this service in connection with its telegraph business and has quite an extensive system of long-distance talking circuits which for the past four years have been gradually extended with the idea of placing at the use of the public the telegraphic and telephonic use of all our wires between all points. Our talking circuits are first class and in many instances are regarded as being superior to the Bell service between the same points. It follows naturally that the wires of the telephone company can be equipped for Morse service, thereby very materially increasing the carrying facilities of the wires. This ought to result in improved service and offer many opportunities for serving the public not possible under separate management.

Purchase of supplies.—It is needless perhaps for me to point out that this is one of the most important matters that will come under your control. The Postal Co. conducts an independent purchasing department and supply store in the city of New York, and all purchases are carefully supervised to prevent payment of excessive prices and a waste of supplies. The Western Union Co., I understand, obtains most of their supplies through the agency of the Western Electric Co.

Having in mind the possibility of interchanging traffic between the three wire companies to unify the service and to avoid delays during periods of congestion, a standard form of blank will no doubt be found desirable, and will also save money.

All special forms of sending blanks now distributed to patrons—many of them of costly design—should be eliminated and all patrons required to use a standard form of blank.

In order to make this memorandum complete, I desire to repeat the suggestions made in the little memorandum I left with you on Tuesday, for they are all important and should be kept in mind:

Telegraph offices in hotels.—Serve no purpose other than the collection of business originating with guests in the hotels. In the large cities where most of such offices are operated there are regularly established public telegraph offices in the immediate vicinity, and there is no real need for local offices in the hotels. It gives the hotels a preferential service. Unless it can be shown

that a telegraph office in a hotel is necessary to serve that locality it should be closed. If not closed, no rental should be paid to the hotels for the space occupied.

Messenger call boxes.—As a result of competition between the two companies, messenger call wires and boxes are furnished freely to prospective patrons at a great cost to the telegraph company and without charge to the public. It is wasteful, and these messenger call wires should be discontinued and the public required to file their messages with the telegraph company. It would reduce the demand for messenger boys 50 per cent and enable the telegraph companies to give better messenger service on messages coming in for delivery, or continue messenger call-box service under reasonable charge to those who desire this form of service.

Discontinue giving credit to patrons and put the service on a cash basis.—The accounting work connected with the handling of charged accounts as allowed by the two telegraph companies is burdensome and costly and should be discontinued. It is possible by the use of special stamps and in various other convenient ways that can be devised to save the users of the telegraph from any inconvenience under a cash system and at the same time cut off one of the largest items of expense to the telegraph companies.

Damage claims.—No claims for losses, either actual or prospective, should be entertained. This will save a great deal of expense in connection with the investigation of such claims and the legal advice necessary to properly pass upon them.

Complaints as to service should, of course, be investigated for the benefit of the service and the information of the complainant.

Deadheads.—There should be no messages deadheaded for anyone, and messages of employees should not be sent free, except when approved by the head of the department, and only then when cases are urgent. The Postal Co. has followed this for years, and does not print franks in any form.

Private leased wires.—It has been my experience that no matter how many instructions to the contrary have been issued, private leased-wire concerns usually get the best working wire. This may change with the elimination of competition, but for the general good of the service the leasing of a wire should be very carefully considered so that the public service will not be hampered by the loss of the best circuits to private leased-wire lessees.

Pony wires.—In recent years the general practice has been followed of connecting the offices of private concerns with the main telegraph office of each company, so that the messages of the patrons may be transmitted or received over a short wire. The patron has paid the wages of the operator employed on the premises, the telegraph company paying the operator in the telegraph office. This arrangement has advantages in that it saved the messenger expense of delivering messages to the private patron, and in these days when a full force of messengers is hard to maintain the pony wire has relieved the situation. On the other hand, the demands for attention by those pony wire customers has called for the services of a great many telegraph operators, and a discontinuance of these wires would release trained operators for general public business. The same is true of private leased wires, for their discontinuance would release a large number of first-class operators that are badly needed in these days.

Newspaper service.—The principal newspapers throughout the country for a great many years have been given a preferential service at a low rate. The United States Government, when it wishes to establish direct wire communication with its various departments, is required to furnish and pay for the operators employed in the departments. Newspapers have been furnished with direct wires without any charge for installation or battery or attention to the equipment, and in addition the telegraph companies have furnished the very best operators without charge to the newspapers. The newspapers pay the usual fixed going rate that is paid by those concerns that receive the benefit of the press rate but who do not have the benefit of direct private wires. In this connection it may be well to question whether newspapers should be furnished with operators free in addition to being given direct wires, inasmuch as the Government has to pay operators working in its departments.

Service and rates.—Telegraph service is primarily a fast service. The public turns to it when it wants quick action, and this is particularly true in the business hours of the day. Anything that interferes with a fast, accurate service in the daytime should be eliminated, if possible. If it can not be eliminated entirely, then that particular influence should be modified. The day letter should be discontinued or modified. The minimum charge for a day letter is

now based upon 50 words, the same as the night letter. Suggest reducing this 50-word minimum to 30 words. Such a reduction will relieve the wires and improve the service, while causing very little inconvenience to the public, because essential messages requiring reasonably prompt handling can be reduced to 30 words in the majority of cases without difficulty. The present minimum of 50 words removes the need for care in composition of the messages and unnecessary words are employed. While to reduce the minimum from 50 to 30 words may be regarded as an indirect increase in rates, it will not place a burden upon the patrons who use that form of service.

What the public wants first is service, and they would rather have service than a lower rate. It is quite possible under a reorganization to give good service at a reduced rate, and, as intimated above, the first thought should be to eliminate all forms of waste, so as to relieve the wires as much as possible and to conserve labor.

I will be glad from time to time to submit any other thoughts that may come to me along the same lines.

Respectfully, yours,

EDWARD REYNOLDS,
Vice President and General Manager.

Mr. MADDEN. You say you made \$4,200,000 and some odd in 1917. How much did the Postmaster General offer to allot to your company?

Mr. REYNOLDS. \$1,680,000.

Mr. MADDEN. What did he say he was going to do with the other \$2,380,000?

Mr. REYNOLDS. He has never explained that to us.

Mr. MADDEN. On what theory did he say \$1,680,000 out of \$4,200,000 was the proper compensation?

Mr. REYNOLDS. He said his committee, after conferring with experts, had concluded our properties were worth \$28,000,000 and he thought the proper compensation would be 6 per cent on \$28,000,000.

Mr. MADDEN. How did he ascertain the value of your property?

Mr. REYNOLDS. He merely guessed at it.

Mr. MADDEN. Did he ever send experts to examine the books of the company and the properties of the company?

Mr. REYNOLDS. He sent an expert to examine our books at New York, but he never sent anybody to examine our property or any part of it.

Mr. MADDEN. So that his valuation of the property is based entirely upon guess work?

Mr. REYNOLDS. Entirely.

Mr. AYRES. You say this does not give the exact valuation; that he was guessing at it. Haven't you been guessing at it?

Mr. REYNOLDS. We haven't had any occasion to guess at it. All of the taxing boards throughout the United States assess our property regularly on the physical values.

Mr. HOLLAND. Or gross earnings, which?

Mr. REYNOLDS. On physical values and gross earnings; it varies in different States.

Mr. MADDEN. Has there ever been any attempt on the part of your company to evade proper taxation of the local communities throughout the country?

Mr. REYNOLDS. No, sir. And I think you will find, if you get the figures, that we pay as high a per mile wire tax as any other company.

Mr. STEENERSON. The Interstate Commerce Commission has not anything to do with taxes?

Mr. REYNOLDS. Not at all.

Mr. STEENERSON. This report to them was not for the purpose of taxation?

Mr. REYNOLDS. Not at all.

Mr. MADDEN. Is there anything indicating the value of the property for the purpose of taxation anywhere on the records of your company?

Mr. REYNOLDS. No; not——

Mr. MADDEN. That is to say, for example, if you knew you were paying a 5 per cent tax rate on a certain valuation, of course that would indicate the value of the property for taxing purposes, wouldn't it?

Mr. REYNOLDS. Yes, sir.

Mr. MADDEN. Would there be any way for you to compile a statement of values of the property as ascertained by the taxing branches of the different States of the country through which your properties run?

Mr. REYNOLDS. No; because the basis of the different localities in fixing values varies.

Mr. MADDEN. I know; but you would know, for instance, if one State based it on one-third of the actual value, you could base it on that, and if other States based it on full value you could use that as the basis?

Mr. REYNOLDS. In New York States it is 60 per cent.

Mr. MADDEN. It would be easy to ascertain the value on that basis, wouldn't it?

Mr. REYNOLDS. The only way to arrive at the value of the property would be to undertake to make an appraisal such as the Interstate Commerce Commission has been engaged upon for several years and is engaged upon at the present time.

Mr. MADDEN. On your properties?

Mr. REYNOLDS. On our properties.

Mr. MADDEN. If this is true, if the Interstate Commerce Commission has been engaged upon the work of fixing the value upon your properties for several years and has not concluded its work, how did Mr. Burleson fix \$28,000,000 as being the value of the property without having investigated at all?

Mr. REYNOLDS. I think it is by a process of simple mathematics with him. I think they made up their minds how much they were going to allow us and then worked back to that amount, if you ask my opinion.

Mr. MADDEN. How does the valuation of your property, as fixed by the Postmaster General, if you know, compare with the valuation fixed by him for the properties of the Western Union?

Mr. REYNOLDS. I understand as to that that the Western Union compensation was based upon their earnings and not upon physical values. And that is the thing we object to; we think he should apply the same method of fixing compensation with us as he did with them.

Mr. MADDEN. You say he did not determine the value of the properties of the Western Union Co., as you understand it; that he fixed the compensation based upon the earnings of the company?

Mr. REYNOLDS. That is our understanding, and it is a singular fact their compensation squares up with their earnings.

Mr. MADDEN. Your statement of this does not square with the statement by Mr. Lamar a few minutes ago. He stated the compensation was fixed on their properties——

Mr. REYNOLDS. Taken into connection with other elements, he added, one of which was the productive capacity, if I remember his words rightly. They took their book value, and you gentlemen know, as well as I do, that the book value may contain the bones of all sorts of properties and does not necessarily reflect the true value of a property.

Mr. MADDEN. Any more than capitalization or stock issues would reflect true value?

Mr. REYNOLDS. Not at all. And if the Mackay Cos. had been carrying on the business with any idea of creating false property assets, with a view to capitalization later, instead of depressing property values, they would have put them up. And they have not done that. As a matter of fact, we know they have done it in arriving at the compensation of the Western Union. As Mr. Lamar has stated to-day, I judge they have taken from the books the earnings and then taken all the other elements (and which they can not get them all), but it is a peculiar fact that the Western Union gets compensation equal to, if not a little in excess of, the 1917 earnings; whereas we get an award which gives us \$1,680,000, in the face of the proved fact that we are making \$4,269,000. In other words, they say to us: Go into the Court of Claims, gentlemen. Here is \$200,000 a month of real money; you must go into the Court of Claims and prove your earnings of \$4,269,000, and we are going to take them away from you unless you do that. And we do not see any reason why we should have to go into the Court of Claims to prove that. We have made this money as a result of our own enterprise, our own efforts and organization and work; and, having made that money, our idea is that it should not be taken from us.

Mr. MADDEN. Where is the money now?

Mr. REYNOLDS. We have it.

Mr. MADDEN. Can they take it from you?

Mr. REYNOLDS. We are conducting our business, gentlemen, exactly the same to-day as we did before Government control, except our influence and our control over our business is not the same.

Mr. MADDEN. Do you mean to say you are paying your own bills, collecting your own money, and putting the surplus of every day's receipts into the bank?

Mr. REYNOLDS. Yes, sir.

Mr. MADDEN. And has the Postmaster General no control over that money after you get it into your possession?

Mr. REYNOLDS. Not a thing. Again, Mr. Burleson has not asked from us, since the 1st of last August, nor received from us any statement of our affairs, financial affairs, whatsoever. If an order was issued to-night that to-morrow morning the Postal Telegraph Cable Co. goes back to private management, there is nothing to undo or change.

Mr. MADDEN. So that, as a matter of fact, you think you are as well qualified to run the Postal Telegraph-Cable Co. as the Postmaster General; is that it?

Mr. REYNOLDS. Yes.

Mr. MADDEN. What about the cable lines; does he control them, too?

Mr. REYNOLDS. There has been no change whatever in the cables.

Mr. WOODYARD. That is true also of the Western Union, that there has been no change?

Mr. REYNOLDS. No change at all.

Mr. WOODYARD. So that they could go back on the same basis, practically?

Mr. REYNOLDS. They could go back on the same basis; there has been no physical change made in the two companies—no physical change in the management at all. The only change is, as I say, we are interfered with by orders from Washington, and interfered with in the staff, which has affected our discipline and control, and that is what is sending the expense up. It is not an increase in wages that is sending the expense up; it is our lack of control. We can not control our operating force, and their performance has fallen down, and that naturally sends the pay rolls up, because an operating force doing its regular tour of duties lowers their performance, which creates overtime.

Mr. MADDEN. Do you deliver messages; for example, if a message comes into your office in Washington for me and your office calls my house up and reads the message to me, would you make a delivery of the message after you had done that?

Mr. REYNOLDS. We do that, sir. Where we can, we call you and then ask you if we shall send it, and if you say you want it delivered, we deliver it.

Mr. MADDEN. The Western Union refuses to do that.

Mr. REYNOLDS. We have not changed our practice in any respect from normal.

Mr. AYERS. I haven't discovered that fact; the Western Union delivers to me.

Mr. MADDEN. They refused to deliver to me after they had given the message over the 'phone.

Mr. AYRES. They don't refuse to deliver to me.

Mr. MADDEN. Maybe you have some influence with the department about it.

Mr. AYRES. No; I haven't any influence with the department; they have never refused to deliver.

Mr. MADDEN. They absolutely refused to deliver a message to me after they read it over the 'phone.

Mr. REYNOLDS. Up to and including 1917, the Postal Telegraph-Cable Co has handled its business at a constantly reducing cost; that is, we had the lowest per cent of cost in the year 1917.

Mr. MADDEN. Let me ask you this question: You say the Postmaster General has control over your employees throughout the country; do you have any control over them?

Mr. REYNOLDS. Not now; I have nothing to do with the operations of the company at the present time.

Mr. MADDEN. Does anybody in the Mackay companies?

Mr. REYNOLDS. Yes.

Mr. MADDEN. How does he direct them, if he has the control of them?

Mr. REYNOLDS. They have the direct and immediate control over them. But the value of that control is dissipated by such incidents

as this: A group of our employees, at one of our large operations, wrote to the Attorney General direct asking for an increase in pay. He replied to the chairman of that delegation direct, stating that their petition would receive consideration. And when that was received by the chairman of this delegation, he put it upon the official bulletin board of that operating department. And he didn't notify the management; he did not notify me at the time he had received this petition. The effect of that has been to break down the influence of the operating officials who are held accountable for the service and financial results. In other words, the authority is in one place and the responsibility in another, to a certain degree. Our officials are still managing the business and have control over the operating staff, except so far as I say it is weakened by interference.

Mr. MADDEN. If you do not enter into the contract Mr. Burleson has suggested, what will be the status of your company with respect to Government control?

Mr. REYNOLDS. If he continues to let things run along as they are now, the condition won't change very much; because we are receiving and holding all the cash we take in.

Mr. MADDEN. Have you a right now to disburse that cash without any suggestion from Mr. Burleson?

Mr. REYNOLDS. That we do not know clearly.

Mr. MADDEN. That is a question of law?

Mr. REYNOLDS. That is a question of law; and I do not know that I can answer that at this time.

Mr. BEAKES. You stated that in 1917 you made \$4,269,000?

Mr. REYNOLDS. Yes, sir.

Mr. BEAKES. To the Post Office Department, you reported your depreciation at \$448,000?

Mr. REYNOLDS. No; that \$448,000 is the actual amount spent in that year for reconstructing lines.

Mr. BEAKES. What did you take out—what depreciation did you allow on your books in order to get at a profit of \$4,200,000?

Mr. REYNOLDS. That \$4,200,000 is gross profit, before any depreciation was deducted. That is the operating profit.

Mr. BEAKES. That is the operating profit?

Mr. REYNOLDS. Yes.

Mr. BEAKES. Why did you make two reports as to your depreciation, one of \$2,350,000, and swore to it, and then another one made to another department, of \$448,000?

Mr. REYNOLDS. One report was to the Revenue Department, on taxes, where we take the benefit of depreciation for tax purposes; and in the questionnaire submitted to the Postmaster General later on, we showed our operating profits and the amount actually spent for the reconstruction of lines and stated that inasmuch as these properties were coming back (I believe we stated it; but the idea was, anyway), later on, the company itself would set out the depreciation reserve out of its compensation.

Mr. BEAKES. You admit, then, that in your report of \$2,350,000 depreciation, to the Interstate Commerce Commission, you made it for taxation purposes?

Mr. REYNOLDS. Yes; the same as all the other companies.

Mr. BEAKES. I thought you told the chairman of the committee that this \$6,000,000 valuation was not placed for taxation purposes?

Mr. REYNOLDS. No; I think there are two separate questions there. It says here: If followed by the State tax authorities. The depreciation was taken in and the reports filed with the income tax reports for income tax purposes and has not anything to do with State taxes.

Mr. BEAKES. Did not your report for 1917 to the Interstate Commerce Commission show depreciation for that year?

Mr. REYNOLDS. Yes; it showed that.

Mr. BEAKES. Didn't it show \$2,350,000 depreciation?

Mr. REYNOLDS. The depreciation taken; yes.

Mr. BEAKES. What did the Interstate Commerce Commission have to do with the income tax?

Mr. REYNOLDS. Their form of report requires us to state the amount of depreciation taken credit for by these various companies.

Mr. BEAKES. Didn't you state to the Post Office Department that the maximum amount ever applied to depreciation in your company was \$448,000?

Mr. REYNOLDS. No; the maximum amount actually spent in a year for the reconstruction of our lines, for depreciation, was that amount.

Mr. BEAKES. If that was all you ever spent, why did you claim for taxation purposes you had a depreciation of \$2,350,000?

Mr. REYNOLDS. Because from our experience and our knowledge of the business we concluded that a two million-dollar depreciation is necessary for the safeguarding of the company's interests and property. I will show what I mean. Under our practice, every year our superintendents of construction are required to submit estimates of what they will be required to spend during the year to restore the properties under their particular charge, and the estimates submitted now for the work that should be done for the coming year are about \$2,000,000, and that is only work that is absolutely essential during this coming year. That \$2,000,000 is the estimated amount required to cover depreciation of all our properties. It is an estimate.

Mr. MADDEN. You did not restore them all to their proper condition when you spent \$448,000 out of that?

Mr. REYNOLDS. We have not spent it all up to the present time, but sooner or later we will have to.

Mr. HOLLAND. What losses, if any, in your judgment as a practical telephone and telegraph man, will the several companies sustain if Government control is not extended?

Mr. REYNOLDS. I do not think the Government control that has been exercised has had any bearing upon any of these companies; and if any of them are in a bad financial way, it is not due to anything that the Government has done, and the Government is in no way responsible for it and should not be asked to pay for it.

Mr. HOLLAND. In other words, in your judgment, the companies can be returned to private ownership without any loss due to Government operation?

Mr. REYNOLDS. That is my opinion.

Mr. HOLLAND. The next question I want to ask you is this: What benefit, in your judgment as a practical man, if any, will the public derive if Government control is extended?

Mr. REYNOLDS. I think the public will lose and lose very much.

Mr. HOLLAND. What competition, if any, existed between your company and the Western Union and other companies before the Government control was put in operation?

Mr. REYNOLDS. Before the Government control was put in operation the keenest sort of competition existed between the Postal and Western Union companies.

Mr. HOLLAND. Now, is it a fact or not that reasonable competition tends to reduce rates and also tends to increase efficiency?

Mr. REYNOLDS. Competition tends to increase efficiency, and I think it is beneficial as to rates.

Mr. HOLLAND. I mean rates to the public.

Mr. REYNOLDS. It tends to reduce rates to the public, because it enforces greater efficiency on the part of the organization. It has in our case, at any rate.

Mr. AYRES. You speak of competition between your company and the Western Union. Mr. Reynolds, in what way do you compete with the Western Union outside of the large cities and congested localities? The Postal is not a general system all over the entire country, is it, going into the small towns and villages?

Mr. REYNOLDS. No; and the telegraph business is not done in the small towns and villages. We are serving cities and towns that represent 40 per cent of the entire population or thereabouts. Seventy per cent of the entire telegraph business of the country is done in cities and towns representing about 40 per cent of the population. We are serving the people of this country who need the telegraph service; but we are not in every small community and the Western Union is not in every small community, except where it reaches through to a railroad station.

Mr. AYRES. If the general public, then, all over the entire country depended on the Postal for telegraph service, it would not be in a very good position?

Mr. REYNOLDS. The only first-class service you are getting to-day is in those communities where they have Postal communication.

Mr. AYRES. But you do not extend your lines into all the small communities like the Western Union?

Mr. REYNOLDS. We extend our lines wherever there is business enough to justify it.

Mr. AYRES. In other words, the Postal is taking the cream of the telegraph business of the country?

The CHAIRMAN. Mr. Reynolds, why is it that your company, if it does do so, discourages the sending of Government telegrams over your lines?

Mr. REYNOLDS. It is not doing that, Mr. Chairman.

The CHAIRMAN. Has it not done it at all?

Mr. REYNOLDS. Not to my knowledge.

The CHAIRMAN. Didn't you do it and do it on the ground you said the Government business did not pay you?

Mr. REYNOLDS. We have often said the Government business did not pay us.

The CHAIRMAN. That is because of the rates?

Mr. REYNOLDS. Because of the rates.

The CHAIRMAN. Your rates are higher than the Government rates, then?

Mr. REYNOLDS. The Government rate is about one-third of the regular rates. We get from the Government about 33 or 34 cents for what the public pays 95 or 98 cents. And I would not hesitate to say and have not hesitated to say that we lose on the Government business. But we have booths in every Government department to-day and in the book of tariff rules, printed right in the books, it says that Government business must have preference as to service. That is a published instruction.

The CHAIRMAN. How much do you lose on Government business?

Mr. REYNOLDS. I think we figured in 1917 it was 71 per cent.

The CHAIRMAN. Your loss was about 71 per cent?

Mr. REYNOLDS. Of the tolls of the company.

The CHAIRMAN. Then your company is charging the general public 71 per cent more than the Government?

Mr. REYNOLDS. No; that is the average cost. But it would be pretty hard to separate.

The CHAIRMAN. At any rate you do not want Government business, because it does not pay you anything?

Mr. REYNOLDS. No; and the Western Union in its annual reports has stated Government business is a burden.

Mr. MADDEN. Could the Government itself do the business at the rates it fixes?

Mr. REYNOLDS. No; it could not.

Mr. STEENERSON. As I understood that 70 per cent, the actual operating expenses was 70 per cent of the receipts?

Mr. REYNOLDS. The receipts for the most part are based on full-rate business. Now, as the Government only pays one-third of that full-rate business—

Mr. STEENERSON. Why, it pays less than the operating expenses?

Mr. REYNOLDS. Yes.

(The hearing was thereupon adjourned until to-morrow, Wednesday, January 22, 1919, at 10.30 o'clock a. m.)

GOVERNMENT CONTROL OF THE TELEGRAPH AND TELEPHONE SYSTEMS.

COMMITTEE ON THE POST OFFICE AND POST ROADS,
HOUSE OF REPRESENTATIVES,
Wednesday, January 22, 1919.

The committee met at 10.30 o'clock a. m., Hon. John A. Moon (chairman) presiding. There were also present Representatives Holland, Beakes, Black, Ayres, Randall, Oliver, Steenerson, Madden, and Ramseyer.

The CHAIRMAN. We will proceed.

Mr. MADDEN. Before you go ahead with the witness, I would like to put these in the record.

The CHAIRMAN. All right, Mr. Madden; go ahead.

Mr. MADDEN. On January 20, 1919, the Kellogg Switchboard & Supply Co., which, I suppose, is the biggest manufacturer of telephone and telegram equipment in the United States, sent me the following letter:

I inclose herewith copies of my letters to Hon. A. S. Burleson, also to Hon. J. A. Moon, regarding the telephone industry, particularly as affects the manufacturers. This is a condition that is universal over the country, as exchanges are not being maintained so as to give proper service to the public. It is imperative that some action should be taken at once by Congress to relieve the uncertainties of the situation, so that the telephone business may get back into something approaching normal conditions.

There is also a letter addressed to Mr. Burleson on the 6th of December by the Kellogg Switchboard & Supply Co., which before the war was the largest independent manufacturer of telephone apparatus, and during normal times in the telephone business they employ some 2,300 employees and do a grocery business of about \$5,000,000 annually. I read their letter:

During the war and after the telephone lines were taken over by the Government our normal business almost ceased entirely, and we manufactured telephone and aeroplane apparatus for the United States Signal Corps and the allies. This work amounted to about 80 per cent of our production.

A large part of this war business has been canceled, reducing our employees to about 1,600 at present; and if the balance is not canceled it will be completed not later than February, 1919, further reducing our employees to probably 600 people, or not enough to continue in this special and highly technical electrical line, and keep our organization together.

I have recently interviewed representatives of several of the large independent operating companies, who always have been our customers in normal times, as to the prospects for an early return to normal conditions in the telephone business. Without exception, these telephone interests advised me that they did not know what the future held in store, and that they could give me no assurance of any telephone business in the future that would enable me to keep the Kellogg Co. organization together.

The Bell-owned factory, the Western Electric Co., is in no such position as the independent manufacturers. They are favored with the American Telephone & Telegraph Co. business without competition, which business amounts to

a great deal more than one-half of the total of the United States, and also as a result of severe past competition share largely in the outside non-Bell business. (See record of Federal Trade Commission investigation.)

The Western Electric Co., although the largest telephone factory, is a small item when considered as a part of the vast Bell organization, and that organization as a whole will support, if necessary, and keep together the factory organization out of the general funds of the system.

If the Government permits the independent factories to suffer severely, while the Western is protected by its closed Bell business and its Bell relationship, it is clear that governmental control will have resulted in unfairly improving the competitive position of one telephone factory at the expense of all the others, and at the ruin of perhaps some of them.

I will only mention America's predominance as the world's course of advance in technical telephony, incontestably founded upon competitive manufacturing, as a base upon which a sound public policy for their preservation in the present crisis rests.

I write you this letter because we are worried over the situation, and because I have sought in vain for an answer elsewhere. You will appreciate that it is necessary to anticipate the future far enough ahead to provide work for our organization, and it is for this reason that I request information from you upon the situation.

These are signed by J. B. Edwards, president. Then, on January 20, Mr. Edwards wrote a letter to Mr. Moon, of which copy was inclosed to me. It reads:

We write, appreciating that you are fully conversant with conditions in the operating field, and to call your attention to the situation as affects the manufacturers. Inclosed herewith please find copy of my letter of December 6, 1918, to Hon. A. S. Burleson. Since writing this letter an operating board has been appointed by the Postmaster General, who, we think, are doing all they possibly can under the circumstances to improve conditions in the industry.

Our lack of orders is embarrassing. All of our Government contracts have been canceled, and we are now employing about 1,300 men against some 2,300 men prior to our entrance into the war, and unless the telephone business materially improves in the near future we not only can not take care of this number but it will be absolutely impossible for us to take care of 242 employees of ours whom we expect to return as demobilization progresses.

It seems imperative to us that some action on the part of Congress be taken at once that will remove the uncertainties now existing in the industry, establishing some fixed date for the termination of Government control. All parties could then provide for possibilities, which the public will soon demand.

I just want to file them for the record.

The CHAIRMAN. I want to say, in reference to that, I received that letter from the Kellogg people just a few moments ago.

Mr. MADDEN. I suppose it just came in. I have also a telegram here about independent telephone companies of Illinois having expressed their desire to the Illinois Independent Telephone Association of Illinois for an early return of their properties from Government control.

The CHAIRMAN. Would it do to put all things of that sort into the record. I have had about 75 of them.

Mr. MADDEN. I think they ought all to go in.

The CHAIRMAN. We will put them all in. Some of these are from little farmers' organizations of telephones. Most of them want the return of the properties. These are all I have received. I received a communication or two from gentlemen who are familiar with these matters and have put in the record also one or two letters which are in the other room.

Mr. RAMSEYER. Mr. Chairman, I won't object to filing these things for the record, but I understand Mr. Reynolds has not completed his testimony, and his testimony ought not to be broken by these.

The CHAIRMAN. It won't break his testimony. Mr. Madden wanted to place these matters in. Now, I want the attention of the committee just a moment.

(Thereupon there was informal discussion which the stenographer was directed not to record.)

The CHAIRMAN. Without objection, Mr. Reynolds will proceed with his testimony, and the papers that have been placed in the record by Mr. Madden and myself will follow Mr. Reynolds's testimony.

**STATEMENT OF MR. EDWARD REYNOLDS, GENERAL MANAGER
POSTAL TELEGRAPH CO.—Resumed.**

Mr. REYNOLDS. This is the first time in my life I have appeared before a legislative committee, gentlemen, so if I depart from the practices that are customary I hope you will make allowances for that, also for the fact that I do not claim to be a plain trader at all.

Mr. STEENERSON. I think we understand that.

The CHAIRMAN. Who desires to ask questions of Mr. Reynolds?

Mr. MADDEN. Mr. Ayres said last night—

Mr. AYRES (interposing). No; I made a suggestion that the Solicitor of the Post Office Department wanted to ask questions.

Mr. RAMSEYER. I want to ask him one or two questions before he is dismissed.

Mr. AYRES. I want to ask unanimous consent that Judge Lamar be permitted to ask questions on the part of the department.

The CHAIRMAN. You have heard the request of Mr. Ayres. Is there objection? The Chair hears none.

Mr. WILLIAM H. LAMAR (Solicitor for the Post Office Department). Mr. Reynolds, I want to ask you something about the Mackay companies as an organization. That is not a company at all, is it?

Mr. REYNOLDS. No; that is a trust known as a trusteeship, organized under the Massachusetts State law.

Mr. LAMAR. I think you gentlemen represented to the Post Office Department—that is, the wire committee—that the Mackay companies operated the Postal Telegraph System, composed of 39 separate companies, in the same way that the American Telegraph & Telephone Co., holding for the companies of the Bell system, operates that system. Is that correct?

Mr. REYNOLDS. No. I think that we put it a different way. The position of the Mackay companies toward the system of companies in a financial sense is the same as the A. T. & T. Co., but the Mackay company is a different company and does not operate these properties. But when it comes to the financial proposition, which is a question of compensation, all questions involving the actual earnings of the Postal Telegraph System, then the Mackay companies' interest financially wherever it turns over these properties has got to be taken into consideration just the same as taking the returns from the A. T. & T. Co. into consideration to arrive at the total business of the Bell systems.

Mr. LAMAR. Now, the American Telegraph & Telephone Co. is an operating company, and under the interstate commerce laws has to file a report of its operations, property, etc.?

Mr. REYNOLDS. Yes.

Mr. LAMAR. The Mackay companies claim to be exempted from that requirement by virtue of the fact that it is not a company but a trusteeship—is that correct?

Mr. REYNOLDS. That is correct. They not only claim to be exempted, but I believe the Interstate Commerce Commission have never called upon them to make reports.

Mr. LAMAR. Do you know just why the astute counsel for the Mackay companies decided on that plan of an organization rather than a general corporation plan, where the State and Federal Governments could know what the operations of the system were?

Mr. REYNOLDS. I couldn't give you any information as to that, because to do that I would have to know the minds of the men who formed the Mackay companies. I was not an officer of the Mackay companies then, nor now, and know nothing about their reasons for that.

Mr. LAMAR. But you do know as a fact that the postal telegraph systems owned by the Mackay companies' trusteeship holding the Mackay trusteeship makes 39 separate reports to the Interstate Commerce Commission, which purport to show the receipts, disbursements, capitalization, and all of the other things that are required by the Interstate Commerce Commission rules. That is true, is it not?

Mr. REYNOLDS. No—well, yes; that is true.

Mr. LAMAR. From the 39 companies a sworn report is made every year that embrace every telegraph pole and every foot of wire that the Mackay companies own for the land lines; is that correct?

Mr. REYNOLDS. That are owned by the companies that operate the lines?

Mr. LAMAR. Yes.

Mr. REYNOLDS. Now, the organization of the Postal Telegraph companies in the main has not been changed in over 20 years. Our organization is the same now as it was before the interstate commerce act was applied to the telegraph companies.

Mr. LAMAR. That is, the company know whether they make these reports?

Mr. REYNOLDS. Yes, sir.

Mr. LAMAR. They are required to make them under the law because they are corporations doing a telephone and telegraph business?

Mr. REYNOLDS. Yes; and when these reports were required of us they were made up on the basis of the books as kept at that time and as they have been kept since under the interstate commerce rules.

Mr. LAMAR. Now, these sworn reports show every dollar received by these individual companies, do they not?

Mr. REYNOLDS. Every dollar of revenue earned by those companies.

Mr. LAMAR. They show every telegraph pole and every mile of wire owned in each State where these companies operate, do they not?

Mr. REYNOLDS. Yes, sir.

Mr. LAMAR. They show the investment value of the property in each State, do they not?

Mr. REYNOLDS. They do not. As I explained to you yesterday, the property in each of the States is operated by each of these companies. In several States they are more than one company. They are carried at nominal values and have been for many years, and

those values do not include the actual investment in those particular properties.

Mr. LAMAR. Now, as a matter of fact, these companies are more paper companies than anything else. They do not handle the details of this business at all. That is all done at the headquarters of the Mackay Co., is it not?

Mr. REYNOLDS. You are speaking now of the commercial work?

Mr. LAMAR. State companies; yes.

Mr. REYNOLDS. It is carried to the headquarters in the New York office; the auditing department is carried on there.

Mr. LAMAR. For each company?

Mr. REYNOLDS. The accounts of all these companies are brought together at New York first as a measure of security. It is necessary to bring these reports in all these companies to a common center for uniformity in accounting and to check one against the other and to protect the finances of all these companies. That would be necessary, no matter how well the accounts were handled. Then the accounts are audited and grouped and entries prepared and sent out to the head offices of each of the accounts after entry on to the books of accounts; very much the same plan as the Western Union Telegraph Co. employ; the only difference is they do theirs by five great divisions, and we have one great division.

Mr. LAMAR. Yes. It is all done primarily in the New York office, and a copy of what you do is sent out to the company as their record?

Mr. REYNOLDS. Yes.

Mr. LAMAR. Now, in these reports to the Interstate Commerce Commission all these figures prepared, the report is completed ready for signature of the president of officer who signs these reports in the various States, in your office, are they not?

Mr. REYNOLDS. For the most part they are prepared from balance sheets that are sent in to us from the head offices of the company.

Mr. LAMAR. But you prepared all reports to the Interstate Commerce Commission.

Mr. REYNOLDS. For the sake of uniformity.

Mr. LAMAR. For the sake of uniformity. They are all gotten out under the same auspices, one office in New York City; the reports from 39 companies are prepared in your office.

Mr. REYNOLDS. They are prepared in our offices from the ledger balances sent in from the head offices of these companies.

Mr. LAMAR. Then, when those several presidents or executive officers swear to these reports they are swearing to figures which you made up in your office.

Mr. REYNOLDS. No; they swear to figures based on books of accounts in their possession posted and kept under their supervision.

Mr. LAMAR. But you prepared them?

Mr. REYNOLDS. We prepared them.

Mr. LAMAR. You prepared the report that goes to the Interstate Commerce Commission?

Mr. REYNOLDS. Yes; prepared them and got them in proper form and sent them back to be verified by the books of accounts in their possession. There is no opportunity for misunderstanding on their part as to the figures in the report at all, no more than if they were prepared by themselves.

Mr. LAMAR. Now, Mr. Reynolds, your attention was called yesterday to certain discrepancies between the sworn questionnaire that Mr. Mackay submitted to the Post Office Department under his oath and the consolidated figures from these 39 companies to the Interstate Commerce Commission. You were asked some questions as to the use that these figures might serve the company in avoiding taxation in the States. Now, I want to ask you this question: You pay a good deal less wages to the telegraph and telephone employees than the Western Union?

Mr. REYNOLDS. On the contrary, I maintain we pay better wages.

Mr. LAMAR. Is it not a matter of fact that those very figures you submit to the Interstate Commerce Commission have been used with your telegraph operators for years to show them that the Postal Co. was not in condition to pay the wages that the Western Union paid?

Mr. REYNOLDS. No; that is an absurd statement made repeatedly by Western Union people. I say absurd because our system of paying our employees is entirely that of individual merit. You, gentlemen, perhaps have noticed in the public press—you don't need to take my word for it—that there has been less complaint from the employees of the Postal Telegraph Co. as to wages and treatment, what we speak of as industrial unrest, than any other large corporation of which you will read in the papers. Now, the Western Union Telegraph Co. for years has had trouble with its staff; serious trouble. We have had no serious trouble with our staff, and we have had an harmonious, loyal organization, and we have one to this very day. Now, I don't maintain that our employees work for the Postal Telegraph Co. through any particular love of the company, and if they were not being paid properly they would become unrestful and discontented.

As I have mentioned, one of my first acts when I assumed control of the operations was to establish a merit system of pay which provided equal pay for equal work, men and women alike. As a part of that system, to stamp out favoritism and abuse of power by petty chiefs, the work of every operator is carefully tabulated as to volume and accuracy, and an official bulletin is put on our bulletin boards every month in the operating room showing the work of the operators; and the names of the operators are ranked there in one, two, three order, according to the quality of their work. One thought back of that bulletin, an important one, is this: That we can not put a man in No. 1 position for work and pay him fourth-rate pay. No chief operator can pay first-class pay to a fourth-rate worker. It automatically and instantly established equal and just conditions of pay. That is one of the great reasons why there has been no great discontent among the Postal Telegraph employees, because we have made it possible for every man to establish his own rate of pay for his work, and we have made the unit of work the measure of his pay.

The CHAIRMAN. That would be a good scheme to follow by the Government.

Mr. STEENERS. That never will be, though.

Mr. REYNOLDS. The result of that is I have been increasing the individual rating of wages right straight along; in the five years I have been general manager I never said no to a recommendation for increase of pay, and I have always passed on the individual increases. The only thing I have ever said to our officials who have

the subject directly to deal with is, all I ask any of you is when you say a man should have \$130 a month, you know he is a \$130 man. As long as you pay a man what he is worth you never overpay him, and the higher you pay a man, provided your payment to him is measured by his work the cheaper a man he is for the company. Therefore I have speeded up our service because increasing his performance by moving messages he speeds up the service. By speeding up the service in the moving of more messages he revises his individual unit cost, and it is our experience that the higher the rate of pay of telegraph officers the lower the unit cost of the individual.

Of course, I have had to approach that subject carefully and study every situation, but I have traveled around this country and have spent over half my time traveling alone without any bodyguard to get between me and a man. I have looked into local conditions, local rates of pay, and saw that everybody, everywhere, was being handled, so far as I could bring about, on that basis, and the result has been more service and reduction in the operating cost, so that in the year 1917 we absorbed all the increase in labor, material, and everything else entering into our business, and ended with the lowest percentage of operating expenses and receipts in the history of the company. So far as my experience goes the staff was not interfered with.

I have spoken at some length in response to Mr. Lamar's question, because it is a question put out frequently. One is that we have sought the cream of the business, and the other is that we have not paid as good wages as other companies. Both of these suggestions are founded on the thought of others. How can we explain why the Postal Telegraph Co. gets more out of a dollar's worth of traffic than we get out of it? And any suggestion of gaining by the selection of the cream of the business, cutting down wages, is a suggestion to put a penalty upon efficiency; nothing more.

Mr. AYRES. Mr. Potter asked a question last night in regard to competition with the Western Union. You were in a sense a competitor, were selecting the cream of the business? Is it a fact you go through the mountainous districts, the rural districts, like the Western Union?

Mr. REYNOLDS. We do at places.

Mr. AYRES. As a general proposition, the entire nation over, do you?

Mr. REYNOLDS. I would say this to that question. The Western Union get through these places through their railroad connections. We haven't any railroad connections. Our lines are train highways, and it would be utmost folly to open a telegraph office in a small community that can not support one telegraph office. To open a second would be a waste of men, material, and wealth.

The CHAIRMAN. How many telegraph offices have you, Mr. Reynolds?

Mr. REYNOLDS. We have, I think, about 1,000; what we speak of as check offices; 1,000 cities and towns, and then branch offices in a great many of these.

The CHAIRMAN. You serve a thousand cities and towns either by a main office, and then branch offices, too?

Mr. REYNOLDS. Yes, sir.

Mr. STEENERSON. How many does the Western Union?

Mr. REYNOLDS. About 2,500. That is, outside of railroad stations.

Mr. RAMSEYER. That doesn't include the railroad stations?

Mr. LAMAR. How many if you include the railroad stations?

Mr. REYNOLDS. I think they advertise how many; in the neighborhood of 25,000. I wouldn't want to say that authoritatively. You keep in mind the fact that 70 per cent of the telegraph business in this country is done in 40 cities, large cities, and that we are serving a thousand different cities, and I think you will see we cover the country pretty thoroughly with our lines.

The CHAIRMAN. They are serving 24,000 more communities than you are.

Mr. REYNOLDS. No; the railroad companies serve these communities. The Western Union does not conduct the operations in these railroad stations except to contract with the railroad companies. So it is not fair to give them credit for seeking business in those communities when they are only doing it through the agency of somebody else.

The CHAIRMAN. It is under their control. Do they furnish operators in those places?

Mr. REYNOLDS. The railroad company furnishes the operators.

The CHAIRMAN. It is a means of communication to them—wires and so on.

Mr. REYNOLDS. It furnishes communications to these towns at the railroad stations.

The CHAIRMAN. They own all the wires and poles and the machinery; do they?

Mr. REYNOLDS. I think the ownership is divided in a good many cases.

Mr. RAMSEYER. In a railroad town of three or four or five hundred, the railroad agent is also an operator; now, does the Western Union help to pay that railroad operator for the telegraphing he does?

Mr. REYNOLDS. No; as a rule, they do not, under their contracts. But they have found that the telegraph operator employed by the railroad will not give attention to the commercial telegraph business unless some incentive is offered to him, and in addition to what is paid by the railroad companies they have found it almost compulsory to give a commission on the telegraph tolls, otherwise they get no service. The human element enters there. The man has to get his pay from the railroad company, and he thinks the telegraph business is a nuisance, so in order to give a personal element in it they give him a percentage.

Mr. HOLLAND. The Western Union uses the rights of the railroad themselves, too.

Mr. REYNOLDS. Yes, sir; and in that way save themselves a great deal in the way of taxes.

The CHAIRMAN. Do you know whether they pay for these rights of way or not?

Mr. REYNOLDS. I don't think they pay for many of them, because they were acquired many years ago before that practice was common.

Mr. LAMAR. They have a reciprocal arrangement for doing telegraph business—the railroads in consideration of the companies—and the railroads carrying out their poles and linemen and repairing them; do they not?

Mr. REYNOLDS. I believe they do.

Mr. LAMAR. That is a consideration, valuable consideration, on both sides.

Mr. REYNOLDS. I assume that there is a consideration on this traffic; whether fair and equitable or not, I do not know.

Mr. LAMAR. The chairman asked you a question yesterday evening just before adjournment, whether the Postal Telegraph Co. had not discouraged the handling by the company of Government-rate messages. Now, I want to ask if you, individually and as an official of the Postal, have not at various times set a policy for the discouragement of your offices handling Government-rate messages that tended to shift Government-rate messages over to the Western Union to carry them because you were losing money on them?

Mr. REYNOLDS. As I answered the chairman last night, I have never hesitated to express myself to the effect that telegraph companies were losing great sums of money in handling Government business, and I think perhaps the most substantial answer I can give to the thought back of your question is that when the Government has wanted special services they have come to us to get it.

Mr. LAMAR. You have unloaded unprofitable business to the Western Union?

Mr. REYNOLDS. We have not, Mr. Lamar, and we have not been in a position to do it.

Mr. LAMAR. I mean you never have talked to your operators, your superintendents, and got them to discourage the handling of Government business on your system because of this loss and put it up to the Western Union?

Mr. REYNOLDS. No; there is a case in point. When our troubles with the Mexican border arose I have in mind one instance where the Western Union Telegraph Co. sent operators and clerks to Governors Island in New York Harbor at the expense of the telegraph company to secure Government business. Now, it has always been customary for the Government to provide operators in its own governmental departments, and I remember, in that case there, there is no reason why the company should go to the expense of sending operators and clerks down there any more than in any Government department. We don't figure to pay the operators' wages for departments of Governors Island. The Federal Government at Washington should pay that expense.

In general practice, we have not discouraged the handling of it. That statement that it is a losing proposition is discouraging, but we haven't been in a position to divert it if we wished to, because in all these Government departments they have strict rules operated under the Government civil service.

Mr. LAMAR. You have not answered my question. I want to know if you never, as a manager of your telegraph system, haven't at various times done what you could to divert Government business from the Postal companies into the Western Union offices?

Mr. REYNOLDS. No, sir.

Mr. LAMAR. You have not?

Mr. REYNOLDS. No, sir.

Mr. MADDEN. I would like to ask Mr. Reynolds a question there if I could. The question is: Has the Postal Telegraph Co. ever refused

to receive messages and send it when offered when it was to be paid at Government rates?

Mr. REYNOLDS. No, sir; never has and never would think of doing so.

Mr. MADDEN. That is the answer to the question.

Mr. LAMAR. Mr. Reynolds, is it not virtually the case, or has it not been the case during the last six or eight months at any rate, that your office, as well as the Western Union office, at various places have had hundreds of messages in excess of what you could handle stacked up in your offices and slow in getting them out?

Mr. REYNOLDS. No; our service has been pretty generally maintained. Our delays, if at all, have been principally in the messenger department. We have had trouble at Washington and one or two other cities in maintaining a full messenger force at times, but our service has been maintained, I would say, better than almost any other public utility. There have been occasions, particularly during the recent epidemics of influenza, crippling us here and there as it spread, but in the main our wire service has been well maintained.

Mr. MADDEN. Is that due to the fact that you couldn't get operators during the epidemic?

Mr. REYNOLDS. Yes. And to the Army we have lost a great many operators. Here in the city of Washington we were injured the worst; we were injured by competition with the departments of the Government. They drew off our entire regular staff, that is, our resident staff here, by shorter hours and greater pay at a time when my personal opinion is the Government should have insisted those men continue in the public service. They crippled us here in the city of Washington more than in any other city in the country because the conditions were peculiar, and we had to bring men in from the outside. Living conditions here were difficult and expensive, and it was not possible to get the better class of operators to come here, particularly after your dry law went into effect. In other words, the floating element is what came here.

Mr. RANDALL. Then your better operators are those who drink liquor?

Mr. REYNOLDS. No; the better operators are those who live here and have families and homes.

Mr. RANDALL. You show a preference in favor of drinkers?

Mr. REYNOLDS. No; conditions arose economically that made it difficult for us to get a permanent man to come here. It is only the men who are floaters back and forth that came here.

Mr. RANDALL. I understood you to say the better operators wouldn't come here.

Mr. REYNOLDS. A good many went back and forth, but that was a temporary condition during a time when every line of business here in Washington was affected the same way.

Mr. AYRES. That is, you mean a temporary condition when it went dry?

Mr. REYNOLDS. I only mentioned that as an instance.

Mr. LAMAR. Well, now, Mr. Reynolds, is it not a fact that you stated to the Postmaster General and the wire committee in discussing the big net profits that your company was making, that the Postal Co. had adopted a policy of taking no unprofitable business?

Mr. REYNOLDS. No. The Postal had put its business on a cost basis and it did not knowingly go out and seek unprofitable business. What I had in mind was business of cities.

Mr. LAMAR. You made that statement to the Postmaster General?

Mr. REYNOLDS. You can not take a statement unless you apply it to the situation in mind when I did make it. That is, I would not put a telegraph office across the streets from our main office in Washington simply for the purpose of getting the business of some one particular firm whose business could not be secured in any other way, if the cost of getting that firm's business was greater than the profit of their business.

Mr. LAMAR. Didn't you state to the Postmaster General and the wire committee that your service was conducted principally between business centers where there was a larger amount of business and where you could operate on a lower rate of cost by reason of these conditions, and that you could make money in that way where the Western Union couldn't by serving all the small places that they attempted to serve? Did you make that statement?

Mr. REYNOLDS. No; I didn't make it. I wouldn't make it knowingly. The statement I made to him was probably the one I made to this committee, that over 70 per cent of our business as transacted in 40 different cities the great bulk of that business is between large commercial centers, and because of the volume passing between these centers there is a greater profit, and on a great deal of our business exchanged between small places that is the unprofitable class of our business, but it is necessary for us to transact a very large amount of business at a profit in order that we may appeal for the business on which there is a profit.

Mr. MADDEN. It is necessary to do some business on a loss.

Mr. REYNOLDS. We must first build up a comprehensive system of telegraphs before we can go to the business public and ask for business, and we must reach a sufficient number of towns throughout the country before we can go to the business men and appeal for their trade. We are bound to get a certain amount that is unprofitable and a larger amount that we expected to be profitable, and we work on the average cost and average per cent of profit. There is nothing inconsistent in that. I started in when the Government control was placed in effect to give the Postmaster General and wire committee the very best information we had, and had they listened to me and done what I told them and advised them to do, and done it immediately, we could have increased the staff of operators all over the country very substantially, built up and maintained a more effective service than we did, saved the Government tremendous sums of money at the time by doing it, but they had this great scheme of Government ownership; they subordinated everything to that and the question of getting such a grip on these properties so they can never be returned. Had they been far-sighted, and gone in and done the thing that sound business practice would have directed them to do, while it would have accomplished all the things I have pointed out to you, it would have given such a grasp of the situation and given such excellent results to their credit that there would be no need to discuss it around this board to-day whether the control should be extended or not.

Mr. LAMAR. Didn't you testify here yesterday, Mr. Reynolds, that these properties had been so handled that they could be turned back to the owners to-morrow without any interference at all.

Mr. REYNOLDS. I did.

Mr. LAMAR. How do you explain that in connection with the statement you have just made?

Mr. REYNOLDS. Because there are a great many offices in all those large cities where the shortage of operators existed, branch offices and hotel offices that could have been temporarily closed during the war emergencies, approaching this telegraph situation as a real war necessity, instead of maintaining 50 hotel offices, say, in the city of New York, with a hundred telegraph operators in them, even admitting that in normal times, they are convenient to the public.

Mr. LAMAR. You are not answering my question.

Mr. REYNOLDS. Yes, I am. I am trying to show you that had these hundred operators in the city of New York been transferred from hotel offices and put into our main operating department, they would have supplemented the force that was there, enabling us to maintain better service, eliminate their overtime, which has to be paid for at a higher rate of pay, and all this would have improved the general service, because the regular branch offices scattered over the city would have been sufficient to maintain the service in these cities temporarily.

Mr. LAMAR. You know all these things are in course of adoption; do you not?

Mr. REYNOLDS. No; I do not. Here in the city of Washington, the outline of your plan was to dismantle our Washington main office, and transfer our equipment to the main office of the Western Union office.

Mr. LAMAR. We have had a committee at work on this line. There was no action taken. There has been a study made of this whole situation, in the various cities, where your representative has been a member of the committee in each instance; is not that true?

Mr. REYNOLDS. He is not our representative in the sense that he was under our direction or influence.

Mr. LAMAR. He was selected in the special city where the study was made, and he imparted and furnished information and made suggestions he saw fit to make, did he not?

Mr. REYNOLDS. He followed the instructions and the hints that he received, because he was afraid to do otherwise.

The CHAIRMAN. Let me ask you a question.

Mr. REYNOLDS. He couldn't have held that job if he didn't.

The CHAIRMAN. In that connection you say that you have a thousand offices.

Mr. REYNOLDS. Offices in a thousand different cities and towns.

The CHAIRMAN. Yes; and that you did 71 per cent of your business in 40 large cities.

Mr. REYNOLDS. Yes.

The CHAIRMAN. And you said the Western Union has 25,000 offices.

Mr. LAMAR. Outside of railroad offices.

The CHAIRMAN. How many were included in the railroads.

Mr. REYNOLDS. I would say they have 22,000 to 25,000.

The CHAIRMAN. Do you know anything about their business as to whether they do the bulk of their business in any particular number, or are they diversified or scattered?

Mr. REYNOLDS. I have seen it stated that their business is divided in just about the same way as ours. The conditions both companies operate under are substantially the same.

The CHAIRMAN. The difference between your companies that serve the people is the difference between 1,000 and 25,000.

Mr. REYNOLDS. One thousand and 25,000, but that doesn't mean the value of business.

The CHAIRMAN. The diversification of their business; the Western Union reaches the people at 35,000 places and yours reach the people at 1 000 places.

Mr. REYNOLDS. It depends upon how you look at it. I say the Western Union reaches them at 25,000 places; the railroad companies reach them at the rest of the places.

The CHAIRMAN. The railroad companies have arrangements with the Western Union by which the service is performed for these 35,000 places. That is all.

Mr. HOLLAND. It has been the hope of all these companies to secure profitable business?

Mr. REYNOLDS. That is really what the companies are in the business for. It is good business to go out for it, and, while I am defending myself against the charge of seeking the cream of the business, the thing is how to distinguish between the cream and skimmilk, and unless there is an intelligent understanding of the real cost and profit to be made. It is a compliment to me, I would say, if I am able to make that distinction.

Mr. MADDEN. Mr. Reynolds, in respect to the question asked by Mr. Lamar, to the effect that your company had a representative on the committee that was investigating the necessity of consolidating the lines within the city of Washington—

Mr. LAMAR (interposing). Every other city where the matter was discussed.

Mr. MADDEN (continuing). And that he was to offer suggestions as to the best method of procedure, I think you made the reply that he did not give the suggestions that he had in his mind, and that he was rather coerced into offering suggestions that might meet with the approval of the department. Was that what you intended to say?

Mr. REYNOLDS. Yes, sir; that is, the superintendent of ours, I think there are 20 of them covering the whole of the United States at a time when the telephone service, to be properly maintained, needed the closest kind of supervision over the operating forces, being the men that we relied upon to supply that supervision, were taken away from their regular duties by the Postmaster General here in Washington and ordered to get together with the Western Union superintendents in their localities and the local postmasters, and proceeded upon a plan for the consolidation of offices, and for the past five months they have devoted their entire time to the subject without our assistance or advice; and these men of ours at least, are not men who are trained to do work of that kind properly. They are operating men and have very little idea of operating costs,

or the elements that enter into the operating costs, and are not competent, even in their own cities, to say that such and such a thing can be done without detriment to the public interest and service, or without detriment to the companies property. Now, the consolidation of offices under that scheme is a destruction of our property rights, which are guaranteed to us under the Constitution, and my idea and belief has been that the Postmaster General was systematically interfering to break down the morale and spirit of the Postal employees and the telegraph company in that way, because under the plan laid down for that work, 99 out of every 100 offices of the Postal Telegraph Co. would be closed. Instructions went out direct from the Postmaster General to each of our local superintendents that they must go about this work without regard to corporate interests. Our men read that. A flash went over the wires from a Washington department about the time of Government control, for which no man is responsible, that if any old-line telegraph man said the Government scheme could not be done he would have his head taken off; that went out over our wires, and they were all warned.

The CHAIRMAN. You mean to say, then, that the Postmaster General, instead of discharging his duties in accordance with his oath of office and in accordance with law, is attempting to destroy your property?

Mr. REYNOLDS. It looks to me as though he is attempting to destroy our property in this way, in order to promote his desire for a Government ownership.

The CHAIRMAN. Destroying them for the purpose of the Government obtaining them for less than their value; is that the idea?

Mr. REYNOLDS. In answer to that, I think there are gentlemen around this table, that recall the remarks of a former Congressman, over four years ago, in the interest of Government ownership bill then before the House, to the effect that the Government should take over the telegraph and telephone wires, if it were necessary for their purpose in carrying on the postal purposes, and that the Government was under no obligation to pay for the wires or companies they did not take over, and that the telephone and Western Union systems were comprehensive enough; that the Postal and the Western Union people would have no just ground for complaint if business was injured or taken away from them, because they had entered this competitive business with their eyes open and hence were estopped from any complaint. The Congressman who made that remark is a member of the Committee on Award.

Mr. MADDEN. He is the chairman of the board.

Mr. STEENERSON. That is David J. Lewis?

Mr. REYNOLDS. Yes, David J. Lewis, and his ideas have carried right straight down through our troubles, because he said four years ago that we have no right, if we are not paid for our business—in other words, the Government could confiscate our property if it saw fit to do it. One argument in that debate raised the question whether that would be right or not, and Lewis said it raised a debatable question of ethics.

The CHAIRMAN. In that connection, let me ask you right now. You said Mr. Lewis. He was not representing the Government then. He was just a Congressman.

Mr. REYNOLDS. Yes.

The CHAIRMAN. Did you ever take into consideration, when you entered into this competitive system, the law of the land that authorizes—the act of July 24, 1866—that authorizes a commission to be appointed, two representing the telegraph company, two the Post Office Department, and the fifth to be selected by them, for the purpose of valuing these properties, in order that they might be taken over. I do not know that any privileges were given to the companies at the time that act was passed, and that was the cause of the third section of that act.

Mr. REYNOLDS. I do not know as I ever gave much thought to that question.

The CHAIRMAN. It is an act, you know.

Mr. REYNOLDS. I have always believed in competition in every line of business that is not absolutely essential to the public welfare, and I maintain that the telegraphs are not essential because only a very small part of the people use them. They are not in any sense like the post office or the water supply, and are not a public necessity. Therefore as long as the rates are reasonable, competition is bound to mean better service and a more courteous treatment of the public; you gentlemen know that is true.

The CHAIRMAN. Of course, the Government don't, and if the Government don't, this committee don't, and Congress don't, I am sure, take your properties otherwise than in obedience to the Constitution and laws, if they were to take them at all. This bill does not mean they want to take the properties, but only to extend the time of Government control. But is it not a fact that you do know, or are bound to know, the existence of a law that would permit the Government, whenever they saw fit to do so, to take these properties over?

Mr. REYNOLDS. We expect to be paid properly for them.

The CHAIRMAN. Yes. You would not have any objection to the Government taking them over if properly paid for in view of the reserved rights of the Government, would you?

Mr. REYNOLDS. Personally, I wouldn't have any objection, but the trouble here is we are not dealing with the question of ownership. We are not discussing a purchase of our properties by the Government. We are dealing with this committee and the question of temporary supervision and control over our service and our business. Our point has always been that we are not only entitled to be paid for the actual investment in poles and wires, and so on, but the good will and staff organization that has taken us 35 years to build up. The staff organization represents the greatest part of our investment on the basis of what it was producing at the time the Government took it over, because the Government was taking our money, our cash.

The CHAIRMAN. I want to get your idea on that further. You can not and do not, in view of the law, enter any protest against the Government taking them over provided you are sufficiently compensated, which would have to be done.

Mr. REYNOLDS. In the public interest I would be opposed to it because I am sure it would be detrimental to the public interest to have them taken over.

The CHAIRMAN. Just a moment. That is a question, of course, for the Congress. Do you think it is an unwise thing for the Government, in order to demonstrate the feasibility of this ownership ultimately, to temporarily control under the present conditions the wires, provided that you are fully and adequately compensated for it, in order that there may be tested out in times of peace rather than in times of war the ultimate advisability of taking these wires over as an adjunct to the Post Office Department?

Mr. REYNOLDS. I would be opposed to it because you are putting it first into incompetent hands, and in the second place, exercising further that control would put our properties into a condition where it would be utterly impossible to restore them to their former state of efficiency.

The CHAIRMAN. You would be opposed to it even if under all these conditions and laws and advantages to you, you were fully compensated for them?

Mr. REYNOLDS. Speaking as a citizen and in the public interest, I would say so. It is a sensitive business, and a business of small details that must be intelligently and efficiently handled. You can not handle it under civil-service rules where merit does not govern the selection of men. I appreciate that Government offices are individually as competent as private offices. When I speak of inefficiency in Government offices, I do not mean you gentlemen are individually less efficient, but you are hampered with conditions and regulations.

The CHAIRMAN. Suppose we employ you to help carry it out. Could it be done better then?

Mr. REYNOLDS. You wouldn't take our views. The minute a man expresses his views he would be dismissed.

The CHAIRMAN. Assuming that the communication of intelligence by the wire is under the Constitution and under the act of 1866, as declared by Congress, a Government function and prerogative which the telephone and telegraph companies were permitted for the time being, and that is all it was under that law, you are not now willing to have that function returned to the Government where it was when your invasion of it was approved?

Mr. REYNOLDS. We have had some experience since 1866, in a political way. Our form of political management is such that I think it would be a very dangerous thing to place the telegraphs in the hands of the Government for that reason. I do not care which party has control.

The CHAIRMAN. You think, really, that although this matter is strictly a Government function the Government ought to, even if it deems it to its interests to test out the question in times of peace, ought not to be allowed to do it, because the companies that have invaded his Government right are still profiting and desire to continue to profit by it? That is the idea?

Mr. REYNOLDS. No; that is not it, Mr. Chairman. The companies have gone into this business with the full knowledge of the law, and if the time comes that this Government decides it is going to take their properties and pays for them the companies could not properly hold out against it.

The CHAIRMAN. They would have to yield then?

Mr. REYNOLDS. I think it would be a very bad thing to do, and furthermore, I feel I can speak with some authority of the telegraph,

particularly the elements that go into its cost, and say that I know the Government can not operate these systems as economically as they are being maintained under private management.

The CHAIRMAN. You think they ought not to make any effort to see what can be done to perfect the use of this Government instrumentality in two years or one year?

Mr. REYNOLDS. No; because the plan the Government is working on and lines it works on are so destructive of the existing business, which is 90 per cent personnel and 10 per cent equipment, that they are destroying the personnel. You would not get a fair test.

The CHAIRMAN. You mean that although you concede, as you did a moment ago, that the Government would have a right to take over ultimately, that the Government ought not now to make any test in time of peace as to whether it would be a wise policy to do that ultimately or not, even though you got paid for everything that you demand as a right that could be given to you for the temporary use?

Mr. REYNOLDS. If the companies were paid twice what their properties were worth, I would still say it would be detrimental for the public interest for the Government to take over the telegraph.

The CHAIRMAN. In other words, you want private individuals to invade and exercise the function of the Government.

Mr. STEENERSON. I object to that statement.

The CHAIRMAN. I have a right to ask him. If you want to ask him anything else, you have no right to object to my questions. I was just asking that question and he does not have to answer.

Mr. HOLLAND. In other words, your judgment is that this business can be most successfully conducted by men who have practical experience in the telegraph and telephone business.

Mr. REYNOLDS. That is my point. And I don't think you can get that any other way except by working through it.

Mr. HOLLAND. Except by experience.

Mr. BLACK. I understand that your viewpoint is that the telegraph service is not essentially a monopoly and that, therefore, it can be operated to the better interests of the people under competitive conditions than it could under monopolistic conditions.

Mr. REYNOLDS. I believe that and I say that from my own experience in both places, and in places where there is monopoly and where it is competitive. It is a truly competitive business; if you view it from the standpoint of public interest, what is going to give the public the best service and the most courteous treatment. Competition is proper in the telegraph service.

Mr. BLACK. I want to ask you this question also. If Congress is to take up the idea that it could be operated better under monopolistic conditions, and for that reason want to test it out by Government control, do you not think that in all fairness to the people that that issue should be submitted to them as an issue and let them pass upon it before we undertake to do a thing of that sort.

Mr. REYNOLDS. I think that is so.

Mr. BLACK. Submit it to the people as a political issue before we do it as a peace measure?

Mr. REYNOLDS. I think that is the only way you could do it fairly; impossible to do it any other way. It means the destruction of the conditions and organization that exist to-day, and you can not ever restore them back, if you conclusion with regard to Government own-

ership is that it is adverse because the opinion of the public should be obtained.

The CHAIRMAN. Wasn't it your idea, Mr. Black, that before any extension of time should be given in this matter, it should be submitted to the people?

Mr. BLACK. That was the thought I wanted to sound Mr. Reynolds on. If we are to abandon the idea that the telegraph service is a competitive service and adopt the theory that it is a monopoly, then in all fairness to the people, would it not be right to submit it to them to pass on?

Mr. REYNOLDS. They are the ones that will suffer and will have to pay the bill.

Mr. AYRES. That is the first suggestion I ever heard of a referendum.

Mr. RAMSEYER. If you were called upon from a public interest viewpoint to express yourself upon entering at once upon public ownership, or two years more of Government control, which would you choose?

Mr. REYNOLDS. Government ownership or control?

Mr. RAMSEYER. Yes, sir; immediately. Government ownership or control.

Mr. REYNOLDS. I think they both mean the same thing. You are only making it easy on the second plan to bring about the first.

Mr. RAMSEYER. Your idea is two years of control would mean Government ownership?

Mr. REYNOLDS. It would not be ownership, but the creation of a monopoly, which would be just as bad or worse.

Mr. RAMSEYER. Let me ask another question. This Government rate on telegraphing—what is that rate?

Mr. REYNOLDS. Those rates were fixed by John Wanamaker when he was Postmaster General.

Mr. RAMSEYER. Was that an agreement between the Post Office Department and the companies?

Mr. REYNOLDS. The Post Office Department has the arbitrary right of fixing the telegraph rate for Government business, and it exercises that right, and it fixes a rate from here to San Francisco of 40 cents for 20 words, and 20 cents to New York.

Mr. RAMSEYER. The same rates are now in use that were put into force when John Wanamaker was Postmaster General?

Mr. REYNOLDS. Yes, sir.

Mr. RAMSEYER. That is a good deal less than the rate you charge the general public?

Mr. REYNOLDS. And that is a rate the Postmaster General, Mr. Burleson, thinks should be increased. He has to operate the telegraph.

Mr. RAMSEYER. You say you have 30 companies which form 39 separate corporations. What is the official name of this trustee corporation.

Mr. REYNOLDS. The Mackay companies.

Mr. RAMSEYER. What is the Postal Telegraph system, then?

Mr. REYNOLDS. That is a system made up of these 39 companies.

Mr. LAMAR. A trade name?

Mr. RAMSEYER. A trade name. The corporation name is the Mackay company.

Mr. REYNOLDS. No; each one of these has its own corporate name, like the Postal Telegraph of Illinois, for instance.

Mr. RAMSEYER. The Mackay company, the corporation, is in fact the Postal Telegraph Corporation.

Mr. REYNOLDS. The Mackay company has varied interests.

Mr. RAMSEYER. Interests outside of telegraph and telephone?

Mr. REYNOLDS. Commercial cables, as the Commercial Pacific Cable.

Mr. RAMSEYER. How many cables do you own?

Mr. REYNOLDS. We own five across the Atlantic.

Mr. RAMSEYER. Over to Europe?

Mr. REYNOLDS. Over to Europe.

Mr. RAMSEYER. Any to South America?

Mr. REYNOLDS. One to Cuba, Halifax to Bermuda, and the only cable across the Pacific from this country.

Mr. RAMSEYER. It seems to be generally understood as our trade extends and will extend that we have not got enough cables, especially with South America, and European cables are largely dependent upon other countries, if we are allowed to go on and build more cables, and do it profitably, are other companies having in mind doing these things?

Mr. REYNOLDS. Across the Atlantic and Pacific the cables are ample or will be when the censorship, permitting plain language, is restored. That was our experience before the censorship was put on, that we had a margin of facilities, and that was the reason there was introduced a preferred service plan, plain-language service, to fill in the idle time on the cables. I believe the Central South American Cable Co., which is a great system of cables down the west coast of South America and up the other coast as far as Brazil, is already planning to.

Mr. RAMSEYER. What company is that?

Mr. REYNOLDS. The Central South American.

Mr. RAMSEYER. Is that American?

Mr. REYNOLDS. It is an American company. They are planning to extend it to Brazil from the north,

Mr. RAMSEYER. Your idea is that if we don't come to Government control; that is, go back the way we were, these companies, or capital will organize companies that will take care of all the cables necessary to take care of the country's greatly increasing business?

Mr. REYNOLDS. Speaking for my companies, I know they are in position financially to finance any extensions of cable systems that are necessary, and they will be perfectly willing to do it when the time comes to do it. I understand the Central American Cable Co. stands ready to make any extensions in South America.

The CHAIRMAN. I want to say to you, gentlemen, in asking your questions, that Mr. Lamar tells me he didn't finish his examination and he will go on when you are through.

Mr. STEENERSON. Who owns these cables?

Mr. REYNOLDS. The Commercial Cable Co. owns the five cables across the Atlantic.

Mr. STEENERSON. Is that included in the term, Mackay companies?

Mr. REYNOLDS. The Mackay companies' relation to the Commercial cables is about the same as to the Postal lines.

Mr. STEENERSON. What is the Postal Telegraph Co.?

Mr. REYNOLDS. It has nothing to do with the cables, except we interchange business. It is a distributor and feeder.

Mr. STEENERSON. These 39 systems, proprietor companies, have nothing to do with the cables?

Mr. REYNOLDS. Nothing at all.

Mr. STEENERSON. How about the Postal Telegraph Co.; has it anything to do with the cables?

Mr. REYNOLDS. It don't operate any general cables.

Mr. STEENERSON. Doesn't own any?

Mr. REYNOLDS. No, sir.

Mr. STEENERSON. The Mackay Co. doesn't own any?

Mr. REYNOLDS. No; simply owns the stock.

Mr. STEENERSON. Then what is the relation?

Mr. REYNOLDS. Just a contract for the interchange of traffic.

Mr. STEENERSON. Are they not owned largely by the same people?

Mr. REYNOLDS. The same interests. The Mackay Co. own the company owning the stock of both the Commercial Cable and the Postal companies brings both these companies under one interest.

Mr. STEENERSON. Do they also own the cable companies?

Mr. REYNOLDS. They own the stock.

Mr. STEENERSON. The Mackay Co.?

Mr. REYNOLDS. The Mackay Co.

Mr. STEENERSON. Do they own or control the Commercial cables?

Mr. REYNOLDS. It is a stock control.

Mr. STEENERSON. Is this property partially located outside of the United States?

Mr. REYNOLDS. These five cables, the five trunk-line cables begin at Canso, Nova Scotia, and end at Waterville, Ireland.

Mr. STEENERSON. They are entirely outside of the territorial limits, of the United States, the five cables?

Mr. REYNOLDS. Yes, sir; and we have certain cables, two or three, that loop from New York to Canso and work directly into Waterville. As an operating matter they are worked from Canso, Nova Scotia, station, but directed from New York to Waterville, but traffic lines by way of Canso, Nova Scotia, and Waterville Ireland.

Mr. STEENERSON. Aside from those five cables across the Atlantic, you have one across the Pacific?

Mr. REYNOLDS. From San Francisco to Honolulu, then Midway Islands, and Guam, and Yokohama, Japan, then down to Manila.

Mr. STEENERSON. The earnings of these cables, does that enter into these four millions, spoken of?

Mr. REYNOLDS. Has no part at all?

Mr. STEENERSON. There has been no statement in regard to the earnings of the cable companies at all here?

Mr. REYNOLDS. Not yet.

Mr. STEENERSON. It has not been referred to either in the reports of the Interstate Commerce Commission.

Mr. REYNOLDS. Not in any question that has come before this board.

Mr. STEENERSON. The title to these cable lines—is it in a foreign corporation or American corporation?

Mr. REYNOLDS. The Commercial Cable Co. is an American corporation.

Mr. STEENERSON. The only property they have, then, is the offices.

Mr. REYNOLDS. They have cables at New York that run over at Canso, Nova Scotia.

Mr. STEENERSON. And that is all?

Mr. REYNOLDS. That is all. And a cable to Cuba that comes into New York Harbor, direct to Cuba.

Mr. STEENERSON. Then these earnings from cable business have nothing to do with these, apparently?

Mr. REYNOLDS. None whatever, Mr. Steenerson. Take a cablegram going from Chicago, Ill., to London. The full rate is 31 cents a word; 6 cents a word is the toll from Chicago to New York, and 25 cents from New York to London. The Postal Telegraph takes the 6 cents a word as the land rate, and pays 25 cents over to the Commercial Cable Co. at New York.

Mr. STEENERSON. There is really an operating agreement between the cables and the Postal Telegraph lines?

Mr. REYNOLDS. Yes.

Mr. STEENERSON. And this stock ownership in the cables by the Mackay Co. trusteeship has no effect upon the distribution of the receipts of these companies?

Mr. REYNOLDS. No, sir; not at all.

The CHAIRMAN. The cable company is in no way involved in this matter at all?

Mr. REYNOLDS. No; the cable company is not involved.

Mr. STEENERSON. That is all.

Mr. BEAKES. Is there such a corporation as the Postal Telegraph Co., or is it simply a general name for 39 different companies?

Mr. REYNOLDS. I would not be sure whether there was an original company years ago operating under that or a similar name, or the Postal Telegraph Cable Company exists legally to-day or not, but these 39 companies are all the Postal Telegraph companies of the different states.

Mr. LAMAR. That is simply a trade name or way that the Mackay company did organize the Postal companies, the Postal company of Georgia, and the various other companies, they called them the Postal companies of the States, and then they adopted this Postal Telegraph name as a trade name. There is no corporation.

Mr. BEAKES. It has no property?

Mr. RAMSEYER. We hear a great deal about wasteful competition; in railroad stations where two or three small roads each maintain small depot, since the Government has taken them over they have done away with two depots and consolidated them, also the ticket offices in the larger cities where they maintain separate offices have been consolidated and it has resulted in a considerable saving; at least, that is the claim made. Why would not that same thing operate by consolidating in many places the offices of the telegraph company?

Mr. REYNOLDS. There would be an opportunity for it to economize and save money in many little ways by eliminating certain offices that were not absolutely essential. I distinguish between offices essential to the convenience of the company and the public; and office that is not essential for the general service, that is maintained purely for the collection of business due to competition. There is a substantial economy that could be effected there, but it is not great enough

to warrant any Government experiment to bring about. What I have in mind in places where there is some branch office next door to a large manufacturing concern, purely for the business of that concern, or in a part of a building, as for instance, we have branch offices which are established across the street from a large, well equipped telegraph office in a building for the tenants of that individual building. One company goes in; the other company has to protect itself.

Mr. RAMSEYER. I don't necessarily have in mind national Government ownership to bring that about. You might bring it about by national incorporation of the companies.

Mr. REYNOLDS. Or by creating a feeling of confidence between competing companies. When they establish sound business practices; these things I speak of are contrary to your own business sense.

Mr. RAMSEYER. Has that experiment been tried anywhere?

Mr. REYNOLDS. In the city of Grand Rapids, the Western Union Telegraph Co. has a large main office. Right across the street in the Michigan Trust Building is another office. Our office is in the next block. Three doors from it is another office. We have three offices in one street in two blocks. The office in the Michigan Trust Building is put in on the percentage plan, because the lady who runs the news stand and candy stand controls the business of that building, and by giving her a high percentage, they are able to control the business in that building. They are buying the business.

Mr. RAMSEYER. There is a waste there.

Mr. REYNOLDS. Yes; there is a waste I don't permit the Postal Telegraph Co. to go into by authorizing or seeking business on that basis, and I am charged with going after the cream of the business. They are losing money on every dollar they take out of there. We had the same arrangement in that building, and when I became the general manager, I refused to renew it.

Mr. RAMSEYER. You made a statement yesterday that the Western Union was not earning the compensation which the Government was giving it. Is that the case, or have you figures to back up your statement?

Mr. REYNOLDS. The reports filed for the first seven months of 1918 with the Interstate Commerce Commission show a decrease in their operating profits of \$1,300,000 as compared with last year. I know from my own experience in the telegraph business that the five months of this year are going to be worse than the first seven months compared with 1917. We have been informed that, and from a source that we consider sufficiently reliable to be accepted that the compensation allowed the Western Union Telegraph Co. for its land lines is in the neighborhood of \$10,500,000, and as near as we can arrive at their earnings on the cables last year, it was \$4,800,000. So if you add these you get a total to compare with their published earnings of the year before.

The CHAIRMAN. That is a matter, perhaps, you do not furnish of your own information?

Mr. REYNOLDS. Adding these two together you arrive at a total compensation greater than they earned according to their official report for the preceding year.

Mr. RAMSEYER. How much?

Mr. REYNOLDS. That will be in the neighborhood of \$1,000,000 more.

Mr. RAMSEYER. That is, getting \$1,000,000 more from the Government than they made themselves?

Mr. REYNOLDS. On that basis.

Mr. RAMSEYER. Are you making this statement of your own knowledge, or from what somebody told you?

Mr. REYNOLDS. Part of it from the reports published by the company for 1917 and from the Interstate Commerce commission reports filed in the early part of this year. One of the members on the wire committee of control told us, and my own knowledge of the conditions that are affecting the company's earnings this year; the increase in wages in effect and the appeal of the Western Union operating committee for an increase in rates. They can not meet these increases in wages that have been approved.

The CHAIRMAN. You just expressed an opinion?

Mr. REYNOLDS. Yes; the gentleman asked me how much.

Mr. RAMSEYER. You got your figures from very reliable official sources, and from that you made your subtraction of \$1,000,000 the Government is giving the Western Union over and above what they earned before.

Mr. REYNOLDS. Yes; in a year when they could not expect to earn as much as the year before.

Mr. RAMSEYER. That is not altogether?

Mr. REYNOLDS. That is our own experience.

Mr. RAMSEYER. You could not have personal knowledge of the Western Union?

Mr. LAMAR. What do you assume the net earnings of the year before to have been?

Mr. REYNOLDS. \$14,000,000 and some odd dollars.

Mr. LAMAR. You say the compensation is \$10,500,000?

Mr. REYNOLDS. Over \$14,000,000 for the land lines. I have no way of separating the cable earnings from the land earnings the year before. Their compensation by the Government is on the land lines only, the Western Union taking all the profits of the cables until this recent act of the Government in taking over the cable lines. Their net earnings in 1917, including the ocean cable traffic were \$14,212,504. They have eight cables, or did have.

Mr. LAMAR. Gentlemen, we have the figures from all the books on this matter you are dealing with.

Mr. HOLLAND. Just one question. If Government control should extend for two or three years, would it or not result in the practical destruction of the organization and present policies of the present companies?

Mr. REYNOLDS. It would certainly result in the destruction of the properties of the Postal Telegraph Co. The plan on which they are working now seems in the interest of the Western Union Telegraph Co., in so far as it enables them to maintain their staff organization and their office locations and equipments.

Mr. HOLLAND. Wouldn't that result in making it practically impossible to return these properties to private ownership after the expiration of the period of extension?

Mr. REYNOLDS. It would, no matter what the conclusion as to experience.

Mr. MADDEN. Is it your idea that the Government took the telephone and the telegraph over as a war measure, or as an experiment as to how successfully we could conduct Government ownership?

Mr. REYNOLDS. I tell you, Mr. Madden, if we are in a great war—

Mr. MADDEN (interposing). Was it your idea that it was a war measure just to facilitate the transaction of the public business?

Mr. REYNOLDS. Speaking for my own company, there was no situation at that time which required the Government to take over the control of the telegraph lines for the public safety. Our service was being maintained and we were in a better position to maintain its integrity under private management without interference than we have been under control.

Mr. STEENERSON. Did you comply with all the requirements of the War Department?

Mr. REYNOLDS. Every one, sir, and loyally. We believed that the Government, having decided a thing, it must have sufficient knowledge on which to base its decision, and we accepted its decision for that reason. Secondly, we believed that we were going to get these properties back, and we could not afford to let down in the standard of our service or our methods, because that would react against ourselves later on.

Mr. RAMSEYER. After the Government took these wires over, was there more secrecy than before; that is, was there anything done to safeguard these messages against leaks than before?

Mr. REYNOLDS. Absolutely nothing done to safeguard the messages. The minute after taking over the telegraphs our operators and chief operators, that had political connections, began to get in touch with their Congressmen and Senators, and boast of it, and as a general proposition, I would say there is less secrecy.

Mr. RAMSEYER. When the Government took them over, these operators were not put under oath?

Mr. REYNOLDS. Not at all; no change in that way.

Mr. MADDEN. We did not take them over to experiment on Government ownership, but to safeguard the Government's interest, and that was the only authority we had to take them over.

Mr. RAMSEYER. Yesterday you heard the testimony of Mr. Putnam, of Minnesota, and heard him describe their scheme of two spheres of influence, giving one company one part of the State, and another company another part, doing away with competition. Could anything like that be done with reference to the Western Union and Postal, dividing the country up into spheres of influence, doing away with wasteful competition?

Mr. REYNOLDS. I think that the nature of the business is different. I do not think that the telephone and telegraph business can be judged exactly in the same way. As I have stated before, I think it would be a great mistake to do anything to eliminate competition in the telegraph business.

Mr. RAMSEYER. You think competition is for the public good?

Mr. REYNOLDS. In the telegraph business; I have never lived in a community where there is more than one telephone system, and I have always lived in the East. I have been in the telegraph business and I do not know anything about the telephone business, except such experience as we now get in long distance telephony, and I see no reason why that should not be done in the long distance service.

We have 22,000 miles of equipment and operate for long distance service at the present time, and we are doing substantial long distance telephone business that is first class and superior to the Bell system between the points where we have it in operation at lower rates and longer time periods. Our operators in these towns, the West, Southwest, and South will tell you, who have had experience with it, of the superiority of our long distance service.

Mr. RAMSEYER. You do not operate in the North?

Mr. REYNOLDS. We reach Chicago, and as far east as Cleveland, and we are making an addition to our underground cable in the city of Buffalo and New York. We can then give long distance service right into New York.

Mr. RAMSEYER. Over the same wires?

Mr. REYNOLDS. Over the same wires, by composites, as they speak of these wires. We have developed a long-distance service for the past five years, and that, as I said the other day, is one of the disturbing factors to the Bell Telephone Co. We threatened their monopoly in the long distance business, and that is the form of business that can be carried on without the inconvenience of having two phones. I do not know from personal experience whether having competition in the telephone service is objectionable or not. I can only infer from the fact that the independent companies have been prosperous and lived all these years that they must have been filling a need in their business. I can not speak with first hand knowledge, but as to long-distance telephony I can speak, because we are giving it without subjecting our patrons in business to any inconvenience, with better service, at lower prices.

Mr. RAMSEYER. Do you let them interchange on your wire with the phone of some other company?

Mr. REYNOLDS. We run a special route to the patron's office from our office and in a town where we have correspondents we have a route running to the office of the correspondents.

Mr. RAMSEYER. You simply connect with big business houses?

Mr. REYNOLDS. Principally, so far.

Mr. RAMSEYER. You don't aim to serve families and private homes?

Mr. REYNOLDS. That is a developing service.

Mr. RAMSEYER. You don't, however?

Mr. REYNOLDS. Not yet; it is a developing business.

The CHAIRMAN. Can we let Mr. Lamar ask a few questions. We are extending this out. It simply looks like a fight between these two companies.

Mr. RAMSEYER. It certainly does.

Mr. REYNOLDS. We are perfectly willing to fight it out with the Western Union.

Mr. MADDEN. After the Postmaster General took over the cable lines and after he took them over, the contract being entered into between the telephone companies for compensation doesn't include compensation for the cable companies.

Mr. REYNOLDS. The Postmaster General on November 16 took over the control and operation of cable lines, but it is the practice to enter into separate compensation agreements with separate companies, and that is why the compensation of the cable companies is not embodied in this award that has been given to us for the land lines, which is a separate matter.

Mr. MADDEN. The receipts of the cable lines would be shown by the companies in contradistinction to the receipts from the land lines?

Mr. REYNOLDS. Yes, sir.

Mr. MADDEN. So that the Postmaster General would be able to enter into a contract with the cable lines on the basis of their receipts without respect to anything that might be done with the land lines.

Mr. REYNOLDS. Yes, sir.

Mr. LAMAR. The cables were taken over long after the telegraph and telephone agreements were negotiated.

Mr. MADDEN. Long after; yes; after the armistice was signed.

Mr. RANDALL. The Postal Telegraph Co. operates; I understand you to say, in 1,000 cities. You maintain 1,000 independent offices?

Mr. REYNOLDS. About that.

Mr. RANDALL. And the other company 2,500?

Mr. REYNOLDS. 2,200 to 2,500.

Mr. RANDALL. And a number of offices in railroad offices?

Mr. REYNOLDS. I think their total varies from 22,000 to 25,000.

Mr. RANDALL. Say 25,000. The cities in which you operate furnish a much more profitable business than they do in these additional places?

Mr. REYNOLDS. That all depends upon the contract arrangement the Western Union has with the railroad companies.

Mr. RANDALL. As a business proposition you have got a profitable field in the 1,000 cities, more so than the spreading out into 28,000 cities?

Mr. REYNOLDS. Yes, but give me 20,000 railroad stations, the operators in which are paid by the railroad company and the entire telegraph tolls paid over to me, and—

Mr. RANDALL (interposing). I refer entirely to telegraph business. Your business is more profitable operating in 1,000 cities than operating in 28,000 cities?

Mr. REYNOLDS. That would depend on what it cost to operate the 25,000.

Mr. RANDALL. Evidently it is more profitable because you don't extend your business.

Mr. REYNOLDS. You must keep in mind the Western Union does not operate in 25,000 cities. It is able to accept telegrams at that number of cities at the railroad company's stations.

Mr. RANDALL. What I am getting at is, if the other company operated the same business way you do, which you undoubtedly consider the best, the people of this country would only be served in 1,000 places; all the rest of them would be without service.

Mr. REYNOLDS. No. As I said, a telegraph company must be a telegraph company. It must get out and serve all the communities where there is a demand for its business, and that is what the telegraph companies have always done. But we have lines where we go right through villages where the Western Union Co. offices are now. There is not enough business there to support the one that is there, and it would be a foolish and bad practice to establish an office in that town which is just about supporting a Western Union office and thus have two telegraph offices, both losing money.

Mr. MADDEN. You could serve that community if it is necessary?

Mr. REYNOLDS. Yes, and we will do it. We have a great many offices of that sort where we go in with our lines, as in Alexandria.

The CHAIRMAN. Let us have Mr. Lamar ask his questions now, if you are through, gentlemen.

Mr. LAMAR. Mr. Reynolds, you say you were discharged on November 30. You were here in Washington on November 30, on the date of your discharge?

Mr. REYNOLDS. Yes, sir.

Mr. LAMAR. Before that instance you talked with the Postmaster General, did you not?

Mr. REYNOLDS. You mean before November 30?

Mr. LAMAR. No; on November 30, before he told you that you were going to be discharged.

Mr. REYNOLDS. I think I did the listening that day. I didn't do any talking.

Mr. LAMAR. In that very conversation that day before he had these letters on you and told you you would be discharged, you had expressed very great sympathy with what was being done and your loyalty to the entire project?

Mr. REYNOLDS. I didn't express any sympathy with what he was doing; no, sir.

Mr. LAMAR. You did not?

Mr. REYNOLDS. No, sir; he didn't give me any and he made a stump speech and I listened.

Mr. LAMAR. Let us get ahead here. You spoke of the attitude Mr. Lewis took in Congress. You know the wire control committee consists of the Postmaster General as chairman, and three other gentlemen, one being Mr. Lewis, do you not?

Mr. REYNOLDS. And his assistant, Mr. Braceman; he is on the committee.

Mr. LAMAR. He is not on the committee.

Mr. REYNOLDS. He was at the conference when our compensation was discussed, and he was a Bell telephone lawyer within a year.

Mr. LAMAR. That has nothing to do with this question. We want to get information from every source, and from you when you will help us.

Mr. REYNOLDS. The situation can not be understood unless everything is known that has been going on.

Mr. LAMAR. I am perfectly willing to have everything known. We want something known with respect to what you have been doing.

Mr. REYNOLDS. Yes, sir; I come here with clean hands.

Mr. LAMAR. Let us get back to this Lewis incident. Please state to this committee whether or not the Postmaster General or the wire committee has done anything, said anything, taken any course that indicates that the wire control committee, with the Postmaster General at the head of it, proposes to follow the policy that you say Mr. Lewis advocated on the floor of Congress before he became a member of the wire committee.

Mr. REYNOLDS. Mr. Lewis was a member of the committee of award. He has spoken very plainly of what his ideas were, and we find in practice that we are getting just about the sort of treatment that four years ago he said—

Mr. LAMAR (interposing). As far as the kind of treatment you are getting goes, the record here is going to show precisely what kind of treatment you are getting, and we want to ask you some questions along that line.

Mr. REYNOLDS. And in connection with the general subject of what the committee is doing, there are certain things that occurred. The Western Union Telegraph Co., since the Government took control, organized an association known as the Western Union Employees' Association.

Mr. LAMAR. You know that association was organized before Government control?

Mr. REYNOLDS. It is about coincident with it.

Mr. LAMAR. Organized before and you know that perfectly well.

Mr. REYNOLDS. It is known as the Association of Western Union Employees. In the early part, immediately after the Postmaster General took control, he authorized the officers of that association to enroll the employees of the post office in the Association of Western Union Employees. That would result in breaking down the individuality and spirit of the Postal forces; its morale.

Mr. LAMAR. Mr. Reynolds, you know that the organization existed, and that certain additional wages were allowed by the Postmaster General, to cover all telegraph operators of the same class, whether they belonged to the Postal or whether they belonged to the Western Union,

Mr. REYNOLDS. You are speaking about the letters?

Mr. LAMAR. No; I am talking about the order you mentioned in August. And that order had relation to nothing else except to enable the Postal employees to get the benefit of this increased wage that was given to the Western Union people.

Mr. REYNOLDS. I beg your pardon. The increased rate in August, 1918, by the Postmaster General, was a substitute for the semiannual bonus that the Western Union Telegraph Co. had previously promised its employees.

Mr. LAMAR. And some addition in wages, too.

Mr. REYNOLDS. Our employees were never promised a bonus and that increase in wages was not designed for our employees, never went to our employees, and we were never notified.

I can speak from first-hand information. The officers of that association came here and they were received and they were authorized to enroll our people and their association came back to New York, and instead of coming to me or to any authorized person they got in touch with a subordinate chief in our service who happens to be the secretary of one of the aid societies, and asked him to take up the work of enrolling our employees.

Mr. LAMAR. Did the Postmaster General, or did the wire committee let you have the facts. We don't care to know what these labor organizations did.

Mr. MADDEN. Let him answer his own way.

Mr. LAMAR. I want to know what the department did. This gentleman is going afield. I am trying to ask him pertinent questions all morning. I am afraid the committee will adjourn first.

Mr. REYNOLDS. This man, like most of the Postal people, is loyal; they are loyal to it. He came to me. I said, "Well, go ahead and get the full story," and he came back with a copy of the constitution

and by-laws of the Western Union Association, with a typewritten sheet of a proposed amendment to be embodied in their constitution, authorizing the enrollment of the Postal employees.

Mr. LAMAR. What did the Postmaster General and wire committee have to do with that?

Mr. REYNOLDS. The president of the local association in New Orleans prepared notices to the same effect:

We have been authorized by the Postmaster General to enroll Postal employees in our association, and I would like to have you put these notices on the bulletin board in the New Orleans office, setting forth the terms and conditions and advantages.

That was sent to me and I sent it to the Postmaster General, with a letter that I didn't believe it possible he would authorize any such thing as this, that it seemed inconceivable that employees of the Postal Co. should be enrolled in an association known as the Association of Western Union Employees, and he never acknowledged the receipt of that letter or told me or repudiated it; and very shortly after I was removed as general manager of the Postal Telegraph Co., the Western Union Association president came down to our New York building with a proposition that he go ahead and do that very thing.

Another thing, I got hold of the original letter from the Western Union commercial superintendent to one of our managers telling him that when the Post Office Department got through with this consolidation of offices there wouldn't be any such thing as the Postal Telegraph offices, and if that particular man wanted a job he should get on the band wagon now. I sent that original letter to the Postmaster General, but he never acknowledged it or anything about it.

Mr. LAMAR. You know very well that the attitude of the Postmaster General has been in public statements and statements in relation to their labor organizations, that it was not a matter of concern to the department whether the men belonged to one labor organization or another or whether he didn't belong to any organization; that their services would be required and interests protected according to what they merited in view of the services. You know the Postmaster General has taken that attitude with regard to all these organizations.

Mr. REYNOLDS. I only know about my own case. Men have gone up the line in Newburg, Poughkeepsie, Albany, Utica, Syracuse, and on from the Western Union Telegraph Co. and said:

We have come here to take an inventory of your apparatus, to show what is necessary to consolidate.

I have called attention to these things. A horde of secret-service agents of the Western Union Co. were let loose last August and went through these offices sowing the seeds of fear in the permanency of our positions, to break down the morale of our forces, and I have appealed against it without any assistance from anybody. I have had to meet underground methods.

Mr. LAMAR. The department couldn't be held responsible for the action of that labor organization.

Mr. REYNOLDS. That is not a labor organization.

Mr. LAMAR. There is another organization; the telegraphers union went throughout the country when the Government took hold

of these wires and used the same sort of argument to get everybody in that union, and Konenkamp filed a statement here the other day showing the attitude of the union with regard to these things.

Mr. REYNOLDS. It has very much to do with maintenance of our business and staff organization where we have got to combat against servet service agents and the Government and everything else.

Mr. LAMAR. Let us get down to asking necessary questions so as to make some progress. This general plan of conservation of labor and material and time was advocated by you from your letter of August 1 until the time you were relieved from duty. You suggested the closing of these duplicate stations around in the hotels.

Mr. REYNOLDS. No, sir.

Mr. LAMAR. And unnecessary employees, unnecessary rentals, unnecessary use of operators. You told the Postmaster General and the wire committee that every operator in a hotel who was receiving and sending messages to the central office was simply drawing one operator from the service, adding that additional cost, and adding the cost of another operator at the receiving office to receive that message to put it on the main trunk lines. You showed the waste of that business, didn't you?

Mr. MADDEN. He testified to that a while ago.

Mr. REYNOLDS. I testified to-day that was at the time when this country was at war.

Mr. LAMAR. Let me get to the point of the question. The duplication of offices in the various cities to a certain extent is some kind of a waste, and is certainly a proper subject for study of the situation to see if there were not similar wastes in various cities analogous to the waste mentioned; is that correct? Was that a proper subject of study?

Mr. REYNOLDS. It was. And I think if the gentlemen of the committee will read my letter of August 1 they will agree as business men that it gave the Postmaster General certain concrete suggestions of great value.

Mr. LAMAR. Now, as a matter of fact, these studies have been made in the various cities to see how much rent, how much duplication can be eliminated. Your agent in each one of these cities has formed one of the members of the committee, the local postmaster, and a member from the Western Union. We have some hundreds of reports coming in from those committees in each city in which they report in detail just what saving could be affected by the elimination of these duplicate offices in those cities.

Mr. REYNOLDS. You haven't followed the thought that I suggested.

Mr. LAMAR. Whether I followed your thought or not, we are getting information the committee wants in its deliberations on this matter.

Mr. REYNOLDS. You are not getting the information you think you want because you didn't go about it the right way to get it.

Mr. LAMAR. We didn't go about it in the way you in your wisdom would suggest, but we went about it in a systematic way to get information on which action might be taken in the future.

Mr. REYNOLDS. The facts—keep them in mind.

Mr. LAMAR. No action has been taken to consolidate these offices, as a matter of fact, yet?

Mr. REYNOLDS. No.

Mr. LAMAR. You haven't been injured by it yet?

Mr. REYNOLDS. Yes, we have been injured in what I consider one of the most vital parts of our business, in the spirit of our organization, its self-confidence; its efficiency has been lowered.

Mr. LAMAR. You suggested to these committee men, your men in these various cities operating on that committee under an authority of the Post Office Department. I want you to state where any such practice was practiced by the Post Office Department, directly or indirectly.

Mr. REYNOLDS. It is very hard to define. I know what they have been doing and what is in their minds, and my dismissal didn't do anything more than emphasize that.

Mr. LAMAR. Did you think you could practice the duplicity with the Postmaster General which you practiced in sending out that communication and expect to continue in the service?

Mr. REYNOLDS. There was no duplicity in it, and he was by underground methods breaking down our business methods and staff organization.

Mr. LAMAR. This allegation of underground methods—talk facts. If you have any facts to show underground business, nobody will welcome them more than the Post Office Department, to be put into this record. I object to your making general slurring statements of that sort without showing the basis for your statements, which I characterize as unwarranted and unjust, and untrue, because I do know something about the way this wire committee has been conducted.

Mr. REYNOLDS. What construction could you expect me to place upon an authority given this association to enroll our employees without my knowledge?

Mr. LAMAR. There was absolutely no such authority as far as a positive authorization was concerned. There was a general declaration by the Postmaster General that he didn't care what association they belonged to or what organization they belonged to; that every man would have to stand upon his merits regardless of what organization they belonged to. I will put that statement in the record.

Mr. REYNOLDS. Do you think, Mr. Lamar, in a period of temporary control it was proper for the Postmaster General to authorize postal employees to enroll in the Western Union Association?

Mr. LAMAR. The Postmaster General is being attacked by these labor organizations as opposing what they want to do; increased wages whether the revenues of the office sustain it or not. The Postmaster General came out and made a frank, open statement to the public and the labor organizations that it made no difference with him whether they belonged to one organization or another, or whether they belonged to none of them; that the Post Office Department was going to handle this wage question on the merit basis regardless of the organization they belonged to. This is the only authority they received from the Post Office Department, and affected one organization like another.

Mr. REYNOLDS. Do you think, Mr. Lamar, it was proper for the wire committee to appoint subordinates of mine, our district superintendents, and line staff to arrange for consolidation of telegraph offices without consulting with me, while at the same time you hold

me responsible for the maintenance of the service and discipline over the staff?

Mr. LAMAR. The Post Office Department observes the same care with respect to that it does with respect to post offices.

Mr. REYNOLDS. It is a position that is a little different.

Mr. LAMAR. The committees are appointed from among post office clerks; wherever there is a body of men you can find competent men to report to the department. That committee is named without any regard to their superiors or their subordinates. This wire service is on exactly the same principle we are conducting the postal service.

Mr. REYNOLDS. But you should have made allowance. These men were taken away from their regular duties; they were there to follow and supervise operations, to supervise the financial affairs in their districts, to see after the collection of bills, and the protection of the company funds. I was responsible for that.

Mr. LAMAR. I will answer your question by saying that your conduct with respect to the matter shown in this record, letters put in yesterday, shows that the Post Office Department made no mistake in not consulting you with regard to this.

Mr. REYNOLDS. I do not agree with you in that. There is nothing there in question about where my loyalty rested. I started out as my letter of August 1 shows, to give the Postmaster General the best advice possible. It did not take me long to find out he was not working on these lines.

Mr. LAMAR. If the Postmaster General wanted you to give information of help, he could have sent to you as the head of the office and would get your recommendations. He wanted it from the people on the ground who had the information and pursued that course.

Mr. REYNOLDS. He did not go to the right source to get correct information, or any information that is worth that to this committee.

The CHAIRMAN. Is there any information that can be obtained in reference to your matters except from you?

Mr. REYNOLDS. Oh, yes; but as general manager in charge of operations, they ought to be secured through me as long as I was in charge.

Mr. STEENERSON. At this time you referred to, was this before your discharge?

Mr. REYNOLDS. Yes.

Mr. LAMAR. In your testimony yesterday, you stated that the reports to the Interstate Commerce Commission show simply the equity of the local companies in plants. I have before me a copy of one of the sworn reports made by the American District Telegraph Co. of Philadelphia. This standard form of the Interstate Commerce Commission reports on page 200, comparative general balance—

The CHAIRMAN. Page 200 of what?

Mr. LAMAR. Of this report.

Mr. MADDEN. That is the report of the office of the Interstate Commerce Commission.

Mr. STEENERSON. Is that one of the 39 companies?

Mr. LAMAR. One of the original reports for the year ending December 31, 1916. We have all these reports over there, and there is an expert from the Interstate Commerce Commission here, who made

the report to the Post Office Department that decided the Postmaster General definitely with respect to the compensation agreement in this case. Now, at page 200, here is the title, 200—a comparative balance sheet, asset side. Then follows instructions as to how to make up these figures. Then instructions covering the accounts listed in this schedule sheet, the informal statement of accounts of the telegraph company. The entries in this balance sheet should be consistent with this, in the supporting schedule on the page indicated. Items on line 10 should be the sums of those on lines numbers 5 to 9 inclusive. The entries in the short column (B-2) should be deducted from those in column B; in order to obtain corresponding entries for column C all credit entries hereunder should be in red ink.

Now, then follows the following: "Investments"—that is a heading first column, balance at beginning of year (a) \$30,405.48; plant and equipment on January 1, 1914 (see page 202), \$30,405.48. Then there is another column, plant and equipment since December 31, 1913, page 204. There is no entry here. That provision is for carrying on the additions, or bringing in rather, the moneys spent during the year for additional plant.

Will you please examine that, and see if you can figure out how that represents the equity that a local company may have in that property? (Handing ledger to witness.)

Mr. REYNOLDS. Perhaps the word equity is not the happiest expression to apply to a \$30,000 plant.

Mr. LAMAR. Is that sworn statement as to the investment in that building unequivocal?

Mr. REYNOLDS. Gentlemen, Mr. Lamar's reference to these things, and his repetition of them all is all for the purpose of covering up and confusing the question really that is before us. Our books have been examined by the State bodies, revenue department, and Interstate Commerce Commission, and they have accepted these books; it has been explained to them that these statements have been given this way 25 to 30 years. They were started off with a nominal value of one sort or another and these values have been continued, and when the Interstate Commerce Commission's rule of accounting had not come into effect until 1913-14; I think very recently. The only thing anybody could do, filling these forms would be the figures appearing on the books of accounts as of that time, and that is what has been done, and these accounts were made and examined and everybody has had it explained to them. There is no thought in anybody's mind that \$50,000 represents the actual value of the property of this company.

Mr. STEENERSON. What does it represent?

Mr. REYNOLDS. It represents the value of the property owned by this A. D. T. Co. It is, I would say, its equity in that property. It is a nominal value that the property was turned over to that date; deeded over at that nominal value, and they have entered it upon their books in that way as applied against the capital stock. The stock was issued for the property.

Mr. LAMAR. The value, as stated, would be the true statement of value, but it would not be the true statement of the amount of money invested?

Mr. REYNOLDS. Not at all; value as turned over to this company.

Mr. LAMAR. What is the object of the Interstate Commerce Commission's report? Do they base taxes or charges?

Mr. REYNOLDS. Nothing at all.

Mr. BLACK. I haven't understood that rule, the purpose of making these reports to the Interstate Commerce Commission.

Mr. REYNOLDS. They are statistical reports, as I understand, required by the Commission.

Mr. BLACK. Do they base the rates on the nature of the reports?

Mr. STEENERSON. If they did, they also figured the lower the rate.

Mr. REYNOLDS. That is the point I tried to bring out yesterday. Low capitalization would operate against us in every way and not in our favor.

Mr. BLACK. Are these reports of the Interstate Commerce Commission used as a basis of taxes in any of the States?

Mr. REYNOLDS. No, sir; most of the States are adopting this form of reporting a statistical report for such use as they make of it.

Mr. LAMAR. They furnish this same sort of reports to the State boards.

Mr. REYNOLDS. And the State boards are getting them and examining them.

Mr. LAMAR. That is the only published data with relation to the operation of your company that has been made previous to the taking over of these properties during Government control; is it not? Has there been any published statement of your companies previous to the taking over of these properties except these reports?

Mr. REYNOLDS. No, and there has not been since.

Mr. LAMAR. That is, historical data with respect to your company?

Mr. REYNOLDS. But if this wire committee is possessed of common sense and honesty in dealing with compensation, why does it place such emphasis on nominal value of our plant? They are merely operating, not buying us.

The CHAIRMAN. They use it for the purpose of taxation.

Mr. LAMAR. I have a paper I wish to go into the record. There is a printed statement prepared by the Interstate Commerce Commission showing the compilation of the data contained in the reports of these 39 companies. In addition it has one on the North American Telegraph Co. We are informed by your counsel these figures in ink take out of the aggregate figures all data with respect to this particular company. Now, will you examine that report and say if you can whether it represents the composite statement of the Postal Co.'s operation for the period named?

Mr. REYNOLDS. I couldn't do that here, Mr. Lamar. If you want to submit that in the record, I wouldn't object to it, but it would have to be on your recommendation, not my approval. I know nothing about it. I did not prepare these reports and to ask me to pass on that—

Mr. LAMAR. You haven't seen any of these reports?

Mr. REYNOLDS. Not in the tax bureau, and I haven't seen them.

Mr. HOLLAND. Is it true or not that in the several States you are taxed on the valuation of property on your gross earnings?

Mr. REYNOLDS. It varies in the different States. We are really taxed on our physical values. Whatever basis applies to us won't

apply to all other companies. If there is a tax based on receipts, my point is inasmuch as we give all our local companies a proportion of the tolls sufficient to enable them to meet all its operating expenses it gets a greater gross revenue out of our arrangement than it would actually earn. A company I have in mind do not operate 2 per cent of the wires of the system, but it is allowed to retain in its gross earnings 90 per cent of the interstate business handled by it, so our taxes in the various States are paid on the same basis as any other telegraph company.

The CHAIRMAN. How much tax do you pay in all the States?

Mr. REYNOLDS. I think it is \$180,000 a year.

The CHAIRMAN. Upon a valuation of \$6,550,000?

Mr. REYNOLDS. No, sir; it is not based upon that at all. It is based upon license fees and taxes; based upon physical values, gross earnings, net earnings, all sorts of things. There is no uniform basis for the tax.

Mr. LAMAR. Of course, these reports of the local companies show the revenue, whether it is a State law taxing them upon gross or net earnings; if this is the only statistical data, if they follow this it would be very much less than the actual money.

Mr. MADDEN. Suppose you were the assessor in a local community, Mr. Lamar. Would you undertake to ascertain the property and its value and base your assessment on that or take some paper statement somebody made about it?

Mr. LAMAR. I would certainly go to the historical data and use that for what it was worth.

Mr. MADDEN. Would you make the assessment on the property itself?

Mr. LAMAR. As best I could.

Mr. REYNOLDS. That is what they are all doing.

Mr. LAMAR. This gentleman here has not quoted all the information that was furnished to us with respect to the same companies in the questionnaire placed in parallel columns with respect to these properties, and I think it ought to go into the record along with the memorandum that was made by Mr. May, who belongs to the statistical division of the Interstate Commerce Commission. He is one of the statisticians of that division of the Interstate Commerce Commission who reported on both sets of these figures in the questionnaire, and represented the Interstate Commerce Commission before the Postmaster General or the wire committee took any action in regard to this contract. This memorandum is very instructive.

Mr. MADDEN. Here is a memorandum made before we passed upon the compensation proposition of the Postal Co.

Mr. REYNOLDS. I will add, as long as you are filling up the record, just one statement. Since August 1, 1918, we have been operating under the Government and for the Government, and in three months, August, September, and October, we, through our organization, actually made for the Government \$1,020,000 profit from operations. We, under the award Mr. Burleson has given us, we are to be permitted to retain \$420,000. The other \$600,000 under the explanation made to us is to be added to that general slush fund.

Mr. BLACK. I really would object to that.

Mr. REYNOLDS. General fund.

Mr. LAMAR. What is your objection to going into the Court of Claims and asking them to dispose of the difference in your sworn statement?

Mr. REYNOLDS. I haven't refused to go there, but I have read the experience of John Pies and John Dies.

Mr. LAMAR. Just one more question. What do you consider to be the value of the land lines of the Postal Company?

Mr. REYNOLDS. If you put it value of land lines and its business, the value would depend upon what rate you capitalize our return from the properties.

Mr. LAMAR. You wouldn't say the physical value of the Postal Company was more than \$28,000,000, would you?

Mr. REYNOLDS. I certainly should, and further I would say—

Mr. LAMAR (interposing). I mean the value of the property. Leave out the going concern value or the good will. The physical valuation of this property—would you say as much as \$28,000,000?

Mr. REYNOLDS. Oh, certainly greatly in excess of that, and furthermore, I would say that anybody who denies us compensation for the business and good will built up in 35 years is depriving us—

The CHAIRMAN (interposing). Of a property right?

Mr. LAMAR. Would you say \$40,000,000?

Mr. REYNOLDS. I do not care to go into any guesses.

The CHAIRMAN. You said over \$28,000,000?

Mr. REYNOLDS. I would say that without fear of contradiction so much has gone into the property long before my time.

Mr. LAMAR. Do you consider your system would present more per mile of line than the Western Union?

Mr. REYNOLDS. I haven't examined the lines pole for pole, but the Interstate Commerce Commission is engaged now in doing that thing.

Mr. LAMAR. Would you say 25 per cent more than the Western Union, pole for pole, would be sufficient to cover the difference between the two properties?

Mr. REYNOLDS. I have no information with regard to the relative value of the two properties, and would not commit myself.

Mr. LAMAR. For your information, in order to get \$28,000,000, we did add 25 per cent more per mile to your mileage.

Mr. MADDEN. Is that arbitrary?

Mr. LAMAR. Yes.

Mr. MADDEN. What is the good of your figures then?

Mr. LAMAR. \$28,000,000 worth of property at 2 per cent depreciation would amount to about \$560,000 a year.

Mr. REYNOLDS. But you are dealing with us on the question of compensation, not purchase.

Mr. LAMAR. We have to use all the data we can get to find its bearing.

Mr. REYNOLDS. You come in and take one million dollars of cash of ours and tell us we are not to have that cash. We are not trying to sell our property and Congress has not authorized you to buy it or gather the data on which to arrange the purchase.

Mr. LAMAR. You don't think Congress has a right to inquire whether the Government should pay you 63 per cent of the value of your property that you reported to the Interstate Commerce Commission as compensation?

Mr. REYNOLDS. I am not questioning Congress' right. I don't think you are expressing the views of Congress.

Mr. RAMSEYER. It is not a question of Congress; but a question of the Post Office Department.

Mr. LAMAR. That is what is going on here now, gentlemen. An inquiry into this matter, and Congress has the right to inquire.

Mr. RAMSEYER. Congress takes care of itself.

The CHAIRMAN. Here is the situation. You have got property which you say is worth more than \$28,000,000.

Mr. LAMAR. That is the first time we have been able to get that out of them.

The CHAIRMAN. Property upon which you say you earned \$1,200,000 last year; property which this report says you returned to the Interstate Commerce Commission at \$6,450,000, and upon all of that property you say you have only paid \$150,000 tax. Was that tax based upon \$28,000,000 to \$40,000,000 you say it is worth, or upon the \$6,450,000 you reported it to the Interstate Commerce Commission?

Mr. REYNOLDS. It was taxed by assessors in the various cities and municipalities under their usual practice.

Mr. MADDEN. I move we adjourn.

Mr. RAMSEYER. Who is the wire committee you spoke of?

Mr. LAMAR. The Postmaster General, Mr. Koons, Mr. Lewis, and myself.

Mr. RAMSEYER. Is that Lewis the same one on the tariff commission?

Mr. LAMAR. Yes.

Mr. RAMSEYER. And still drawing salary from this tariff commission?

Mr. LAMAR. No; nobody is drawing any additional salary.

Mr. RAMSEYER. Mr. Reynolds, you have been discharged by the Postmaster General. You are not now with the Mackay Co.?

Mr. REYNOLDS. I am still a vice president of the Postal Telegraph Co., but I have nothing to do with operations of the company.

Mr. RAMSEYER. Do you draw a salary as such?

Mr. REYNOLDS. Not from the Government funds.

Mr. RAMSEYER. Are you a stockholder?

Mr. REYNOLDS. I am a stockholder in the Mackay Co.

The CHAIRMAN. We will adjourn until 2.30 o'clock this afternoon.

(Thereupon, at 1.15 p. m., the committee adjourned until 2.30 o'clock p. m. January 22, 1919.)

AFTER RECESS.

The committee met at 2.30 o'clock p. m., Hon. John A. Moon (chairman) presiding.

The CHAIRMAN. Let us begin the hearing, gentlemen.

Mr. LAMAR. Mr. Chairman, just before you put Mr. May on the stand I want to put two papers in the record. It is difficult to follow all the statements that Mr. Reynolds makes, but this is a characteristic answer to a portion of his testimony. On October 2 the Postmaster General issued an order, No. 2067, addressed to all telegraph

and telephone companies. The Postal and all the other companies received copies. This, the first paper I put in the record, reads:

Information has reached the department that representations are being made throughout the country that it is the desire of the Government that employees of telegraph companies should join the Commercial Telegraphers' Union, the International Brotherhood of Electrical Workers, or other unions. These representations have no foundation in fact whatever. In its operation of the telegraph and telephone systems the Post Office Department will not distinguish between nonunion and union employees. Persons will be employed solely because of their fitness for the positions to which they seek employment and must not be employed, discharged, favored, or discriminated against because they do or do not belong to any particular organization.

Officers and employees of the telegraph and telephone systems will comply strictly with the provisions of this order.

A. S. BURLISON,
Postmaster General.

Mr. MADDEN. Mr. Lamar, while Mr. Reynolds was on the stand just before adjournment for lunch this question was put, and among other things Mr. Reynolds said that the so-called increase of compensation authorized to the telegraph operators and employees eliminated from consideration the compensation which they were to receive under his order a previous arrangement which they had with the Western Union, under which they receive a percentage of the profits of the company; otherwise a bonus.

Mr. LAMAR. Yes.

Mr. MADDEN. What do you know about that?

Mr. LAMAR. The Western Union Telegraph Co., in addition to their arrangements for sick benefits and things of that kind, have a fund which is a bonus they had heretofore during a number of years, a bonus paid once a year to those who came within certain requirements, of the details of which I am not familiar, but it was a reward for attention to duty and regularity in their business efforts, etc. That bonus which was distributed once a year amounted to some million and a half dollars. About just before the Government took control they carried into effect by agreement with the operators who had, as they considered, a vested interest in this bonus, a new plan by which this money, which had been previously distributed as a bonus, should be added to their salaries, which they would get in their salaries every month instead of getting this bonus once a year. So that they put the bonus into the salaries and, incidentally, they did more than that. They agreed to pay them an amount which was not only an equivalent to a bonus, but equivalent to something in the nature of a million dollars in addition.

Mr. WOODYARD. As I understand, the Government is doing that. Is that a condition that exists to-day?

Mr. LAMAR. That was a condition existing before the Government took control. That agreement had been signed by the Western Union Telegraph Co. before the Government took over these properties.

Mr. WOODYARD. What is the situation as far as it exists to-day?

Mr. LAMAR. No interference has ever been made; it has continued to conduct the company in the same way it was conducted previously.

Mr. WOODYARD. I do not understand it so. With the permission of the committee, I have a letter here from the employees; from Parkersburg, W. Va., dated January 20, 1919:

We, the employees of the Western Union Telegraph Co. of this city, respectfully invite your attention to the way we have been dealt with in regard to salaries and working conditions by this company, and under the Post Office Department of the United States.

As you know, the wire companies of the United States were taken over and operated by the Government on account of an agitation brought about, by existing working conditions, and which the Government sincerely promised to correct.

In order to minimize the unrest which was growing among the employees, and to continue its policy of denying them the right to affiliate themselves with the Commercial Telegraphers' Union of America, and at the same time endeavoring to meet the Government's demand for an efficient system of telegraphic communication, the Western Union Telegraph Co., aided in every way possible the formation of an association made up of its employees, which would have as its purpose the advantage of collective bargaining. This association was formed, and representatives were sent to confer with the management of the Western Union upon a just schedule of working conditions and wages. And we believe that we have sufficient cause to think the employees at large, or their representatives, were misled.

Nothing approaching justice toward adjustment of the difficulties was accomplished, and contrary to the by-laws enacted by the Association of Western Union Employees, the schedule which was signed by the officials of the Western Union, and later presented to Postmaster General Burleson for his approval, was not made known to the employees until after it had been approved by him. This schedule, as represented to the employees, should be effective as of August 1, 1918.

Believing in the integrity of the officials of both the company and the Government, and having faith in the representatives who were in conference with Postmaster General Burleson, there was no further agitation on the part of the employees.

Prior to control by the Government, the Western Union Telegraph Co. paid what was termed a special dividend to its employees, basing such payments on the length of service of said employees, and also on their salaries, making a fair return to all, and which enabled its employees to share with the company in their prosperity. Mr. Burleson saw fit to discontinue the special payments and in their stead increased the employees' salaries 10 per cent.

On December 31, 1918, and to be effective January 1, 1919, the "adjustment" order was signed by Mr. Burleson, which, in substance, increased the salaries of employees having less than 1½ years of service with the company 5 per cent; employees having 1½ years or more of service to receive 10 per cent, the following conditions applying:

"No increase shall serve to increase salary to more than \$200 per month, or to apply in any cases or to any extent where its application would result in an increase of more than \$35 per month since January 1, 1918."

The order also discontinued the payment of "time and one-half" for Sunday time, directing that payment at the regular monthly rating be made.

The "increase" taking effect January 1, 1919, and not as of August 1, 1918, as we were led to believe.

On the face, there would appear to have been two increases granted to employees since Government control became effective, but a small amount of study is sufficient to convince one that in reality no increase has been granted to the majority of the employees. On account of the increases granted to the employees in the early part of 1918 by the Western Union Telegraph Co. in amounts ranging from \$5 to \$20 per month, and applying the 10 per cent granted in lieu of the "special payments" as an increase, there were few employees who were eligible to participate in the 10 per cent increase granted under order of Postmaster General Burleson, January 4 (effective January 1, 1919). Employees whose duties require them to perform Sunday time, though they be eligible to share in this increase, gain nothing, and in cases where the increase does not apply, employees doing Sunday duty would have less coming in than formerly, or their pay reduced.

The abolition of the special payment can not be properly called an increase, as employees shared in this payment as early as December 20, 1916, and semi-annually thereafter until its curtailment by the Government. In some cases the 10 per cent increase granted under this order does not amount to as much as the special payment plan given us by the Western Union Telegraph Co.

The order signed by Postmaster General Burleson, and effective January 1, 1919, contained the following paragraph:

"The department feels that the telegraph employees are entitled to an increase, but the revenue conditions at this time would not justify these increases unless careful elimination of waste can be effected by the employees."

In contradiction to this statement Mr. Burleson issues to the public a decrease in rates on night telegrams, amounting to approximately 40 per cent. We do not believe the general public would care to take advantage of this substantial decrease, if they knew it was at the expense of the employees.

Therefore, we, the employees of the Western Union Telegraph Co., do earnestly solicit your valuable assistance in approaching the proper authorities in an effort to correct the injustice which we, your constituents, are the victims. We believe we are entitled to a much more substantial increase than that which has just been granted, as the aforesaid increase in reality is not an increase to many of the employees; the assurance by the Postmaster General to our representatives guaranteeing a satisfactory settlement to the employees have not been fulfilled.

We believe there should be an extra compensation for those who are required to perform Sunday work, which should be at least one-half more than regular salary rating. In our opinion we think it is very autocratic that Mr. Burleson, as one man, should have power to discontinue time and half rating for Sunday time, the same having been granted and in operation by the Western Union Telegraph Co. at the time the company was taken over by the Government. It looks to us as though Mr. Burleson, as director of wire communication, is placing the rights of the employees as a secondary matter at a time when, as he himself states, the revenue was not sufficient to meet the present expenditures.

We believe the telegraph rates should be raised instead of reduced. You know everything (including public utilities other than the telegraph) have advanced since 1914 except telegraph rates. If there is not sufficient revenue to warrant a substantial increase to the employees the only wise and consistent thing to do is to raise the rates.

The cost of living is extremely high and still increasing. We have to pay the same prices as those whose income is much higher and whose employment does not require any more, and in most cases, much less skill than those in the employment of the telegraph. We wish to state that we have not been shown as much consideration from the Government on this point as we received from the Western Union Telegraph Co. as a corporation.

Further, during the period of "readjustment," that is the time the wage schedule of the Association of Western Union Employees was before Postmaster General Burleson for approval—August 1 to January 4—no salary increases were allowed. This was a considerable loss to the employees in as much as the final settlement regarding higher wages affected so small a number of them.

We believe we should be granted the increase as of August 1, 1918, which we were sincerely promised.

In time of war, when our country needed the most faithful performance of duty from each individual, we cheerfully set aside our grievance and put our shoulders to the wheel as one man. Does the Postmaster General wish to reward us with this joke? Is an efficient system of communication less important in time of peace than in time of war?

We know you will readily see the justice of our plea and do all in your power to find a way to remedy it. We do not wish to embarrass the Postmaster General in his work in any way but we can not but feel that he has made a grave mistake in this instance and take this means of bringing this very important matter to your attention. We believe the case should be reviewed, or more thoroughly investigated.

Thanking you sincerely for the action we know you will take in our behalf, we are,

Respectfully, yours,

Mr. STEENERSON. How many names?

Mr. WOODYARD. I am not reading the names unless it becomes necessary, two names.

Mr. RAMSEYER. Do they speak for the local organization there?

Mr. WOODYARD. These gentlemen sign themselves as officers, but they are members, too.

Mr. LAMAR. I will be very glad, if you will put that in the record, because there is a good deal of misunderstanding about this matter, and while I do not question the good faith—

Mr. WOODYARD (interposing). I will say about that, I know the men; they are very substantial.

Mr. LAMAR. He is mistaken in regard to the disposition that was made of the original funds. The Postmaster General issued an order, which I can produce here if you want it, to the companies, the Western Union Telegraph Co., approving this rearrangement, by which this bonus should be paid, and fixing the amount even more than the bonus. It amounted to over two and a half million dollars soon after we assumed control.

Mr. WOODYARD. Are they carrying that out? They evidently are not getting the benefit of it. They would know it if they were.

Mr. LAMAR. We can look into that, and find if there is any trouble of that kind. I think he is mistaken.

Mr. MADDEN. The idea was that the Postmaster General, if I understand Mr. Lamar had incorporated—the Western Union had incorporated \$1,500,000, previously paid annually to the men in that increase of salaries.

Mr. LAMAR. It was not considered an increase in salary at all. It was just an arrangement for distribution to those men of the different systems. In other words, where it was distributed once a year before, under this arrangement they paid it to them every month.

Mr. MADDEN. That is, the \$1,500,000?

Mr. LAMAR. The fact is they did increase it.

Mr. MADDEN. And you took another million dollars and added it on the bonus system?

Mr. LAMAR. No; they added to the amount of the bonus an additional sum, I think it was, I haven't the figures exactly, and made that much of an increase the sum of the bonus, and the million added was applied as the increase to the salaries of those operators. That was done away back in August soon after we took these properties over. The agreement had been made before we took control. That is one proposition.

There was another very serious proposal that was pending at the time we took control, and that was a readjustment of the salaries of the Western Union telegraph operators, under which they would get, a person who had been in the service six months would get an increase of 5 per cent; one who had been in a year, probably, or two years—

Mr. WOODYARD. They state here a year and a half, would get 10 per cent, and those who had been in over that time would get 15 per cent of their salaries, but they were limited in the original agreement. It was limited, as I understand, so no man could get over \$200, and in no event would the percentage of increase amount to over 35 in any one salary. Those, of course, are the items of the original between the company and its operators, as I understand it. Now, the company did agree with those people to make that additional increase, and it was at a time when wages had gone up in every other branch, but had not gone up for the telegraph and telephone lines,

and it was just before we took control. The Postmaster General simply told those people when the matter was presented for another increase, because the first must be regarded as an increase, a slight increase it is true, that the matter must be considered in connection with the rates and standardization of wages in all lines. So the matter drifted along until December, when this wage committee, appointed by the Postmaster General recommended this increase as tacitly agreed upon between the company and the employees, but in the meantime we found that all operating expenses had gone up; the conditions had entirely changed, and there was not enough revenue in sight to come within several million dollars of paying this increase in wages that was allowed us. The wire board took it up, and the Postmaster General went into it carefully, and we saw there would be several million dollars short of funds, but that was the time it came to the Postmaster General for final consideration. He had never promised any particular amount, so that the Postmaster General modified this plan to the extent of allowing none of them over 10 per cent increase, and increasing the time that they would be permitted to draw the 5 per cent. The other modifications, as he says, was cutting out this time and a half for Sunday work.

Under the circumstances, would you consider that wise, in view of the fact that you found there was not sufficient revenue to order a reduction in rates? Was there a demand from the country for the reduction?

Mr. LAMAR. I will get to that in a minute; that is another question. Now, the Postmaster General disposed of this matter when the original proposition came up in completed form, as the gentleman states, when these announcements were made. Now, that very allowance is more than the revenues of the telegraph companies will stand, and there has got to be some arrangement to provide the money to pay this scale that has been adopted. So operators only think of one side, of course, when you come to the question of discussing wages.

Mr. WOODYARD. Before you get on that, let me see if I get a clear understanding. You say that special bonus paid by the Western Union Telegraph Co. to the employees has not been discontinued, as stated in this letter here?

Mr. LAMAR. Not at all.

Mr. WOODYARD. And that the employees are still receiving it?

Mr. LAMAR. That is a separate proposition entirely.

Mr. WOODYARD. It is remarkable that they should set this out here. Of course, they know what wages they are getting.

Mr. LAMAR. They haven't received any wages since the order went into effect. That order covers both cases. As a matter of fact, it is not intended to affect the original increase at all.

Mr. WOODYARD. Go ahead.

Mr. LAMAR. Now, on the question of discussion in the night rate messages, there has been a revision of the rates on night messages with a view to raising more revenue and furnishing better accommodations at the same time. We found that there was no night-rate message beyond Denver; that a man on the Pacific coast did not have the night rate benefit at all. We also found that by reason of the excessive night rates in certain places, as compared with the day

rate, that the difference was not sufficient to divide the load. The result was that you had peaks in the daytime, while at night the wires were not occupied. We wanted to get the most out of these wires. We had the best experts in the country go over this whole question to determine how they could equalize that load, and still not have a loss in revenue. I am not prepared to say any more than you are whether these experts determined this question correctly or not.

Mr. WOODYARD. You don't know whether it will result in an increase or decrease of revenue.

Mr. LAMAR. My judgment is it will result in an increase; that was the opinion of the committee, and still divide the loads on the wires, so they will not be congested in the business time of the day when Government and commercial business needs the wires.

Mr. MADDEN. If we are through with that, Mr. Lamar, I would like to understand the situation with respect to revenues. I think I understood you to say that if the compensation allotted under the adjustment made and recommended to the Postmaster General, which had been approved by him, that it would absorb more than all the revenues of the companies by a considerable amount. Of course, that includes the contract obligations.

Mr. LAMAR. I am talking about contract obligations, not about the Postal at all.

Mr. MADDEN. I am not talking about the Postal either. Would not there be some way by means of which there could be a readjustment in the contract obligations, so as not to pay as high a rate of compensation as the agreements provided?

Mr. LAMAR. Well, Mr. Madden, we have these properties. The resolution of Congress provided for a just compensation, and it had to provide for just compensation in order to provide a constitutional statute, because the Constitution of the United States says that private property can not be taken without just compensation.

Mr. MADDEN. I just wanted to know if I understood the statement.

Mr. LAMAR. The question is, what is just compensation, and that is a matter which is giving us most serious thought in preparing these agreements. Many companies came in who didn't have a very good showing, so far as their net results of operations were concerned, but contended that they ought to have 5, 6, 7, or 8 per cent of the valuation of their properties. Some of them had a valuation fresh from the State commissions, which showed that the property had an actual valuation determined at a recent date, and they wanted that compensation based upon that valuation.

Mr. MADDEN. Not upon the earning power?

Mr. LAMAR. On the valuation of the properties on what they were earning at the present time.

Mr. MADDEN. We give them that compensation, and would have to deduct from those who had earning power.

Mr. LAMAR. Yes, by appropriation or otherwise; would have to raise it some way. We took the position that here was a peculiar tenure of these properties, an unusual kind of tenure that never had been passed upon by the courts. It was not simply for a time, and the taking of property for a limited period of time. It was a different kind of proposition. The proposition was taking it permanently,

and the next proposition was that we were taking it under abnormal conditions. We were taking it at a time when labor and materials were excessively high, and we took the position that while no court had ever passed upon it, that any court, if these people went into the Court of Claims, or any other court, would consider all the facts and would consider the abnormal conditions under which these contracts were made, and that whether we paid a man 2 per cent on his investment or 6 per cent, would necessarily depend upon the productive capacity of this property under these abnormal conditions, and we declined to fix any compensation upon the valuation for that reason. That is one reason, of course. Another reason is that you could not fix a valuation in the lifetime of this committee. We could get at the valuation on the productive basis with valuation as a guide to the extent that the courts have recognized it heretofore, but taking also into consideration the abnormal conditions under which the property was operated.

Now, we found in making these contracts, that not one of them we made a contract with that the past performances of the property that it was producing in the last six months, did not seem to warrant the compensation fixed; but after we made these contracts, I am free to tell you that the expenses have continued to mount, and if we yield to all these demands for increases in labor, they are going to mount higher. There will be a question whether it is within the power of the Postmaster General to fix the revenues that will pay the compensation and the wages, or Congress will have to appropriate the money, one or the other. It is certain that the revenues of the Western Union line will not stand any such demand as is made here. I am having all these figures prepared and in such shape it will be of convenient use to the committee. Every detail of this matter will show up, revenues, disbursements, and conditions.

Mr. AYERS. Do you think the same demands made from the private owners of these homes on the part of labor has been, or will be, or is being made at this time under the control of the department?

Mr. LAMAR. I do not know. They are making these demands, and also threatening a strike at a very time when it would inconvenience the public the most; that is the time they selected to make these strikes, as shown in that paper submitted the other day. The way it was worked out in view of this act of Congress that prevents conspiracy to interfere with the operation of these wires, we have had the power to control these strikes. Now what would have happened if private owners had control of it is problematical; certainly they could have struck, and would have struck, and did strike, and tried it out, and found that the Postmaster General has taken the position, as stated in that order. I have just read that the strike was stopped, but now they are making a march on Congress, and I do not know how you gentlemen are going to stand the pressure when they come here. Now, the increases in other lines have been very great.

Mr. AYERS. Was the threatened strike the moving cause for the recommendation on the part of Congress to have these lines taken over?

Mr. LAMAR. I do not think it has anything to do with it.

Mr. AYERS. What was the moving cause?

Mr. LAMAR. I can not answer for the things which went through the President's mind when he issued the order.

Mr. MADDEN. The President did not issue the order until the Postmaster General, and Secretary of War, and Secretary of the Navy went before the Committee on Naval Affairs.

Mr. LAMAR. At any rate, I would not like to speak for those gentlemen in these matters. I am an executive man and legal officer combined, and matters of policy I do not determine.

Mr. MADDEN. The President did not express a desire to take over these lines finally.

Mr. LAMAR. With reference to taking over these wires, I am not in a position to discuss the matter.

Mr. AYERS. I do not press my question in view of your statement.

Mr. LAMAR. I think that disposes of those two propositions.

Mr. WOODYARD. Yes.

Mr. LAMAR. In one of the papers presented here the other day there was a misrepresentation, one of the Konenkamp papers. Here is a letter that was addressed to Mr. Newcomb, president of the Western Union Co., and signed by the Postmaster General on August 14, 1918:

AUGUST 14, 1918.

HON. NEWCOMB CARLTON,
*President Western Union Telegraph Co.,
New York City.*

MY DEAR MR. CARLTON: In pursuance of the conversations I have recently had with you and as a result of certain investigations I have made, I am writing to request that you issue orders for the restoration to the service of the company of all the employees of the Western Union Telegraph Co. who were dismissed solely because of affiliation with labor organizations. I feel that in view of the action taken by the National War Labor Board and all the circumstances surrounding the situation at the time these employees were dismissed, as well as subsequent history, that you will agree with me that the course I have decided upon is the proper one to pursue. As you know, I am having a special investigation made at Atlanta, Ga., Detroit, Mich., New Orleans, La., St. Louis, Mo., and Seattle, Wash., where certain employees were dismissed for reasons other than affiliation with a labor organization. Please take no action in restoring any of these to their former places until I can receive the report of the Chief Post Office Inspector and am in possession of all the facts in connection with these cases.

When you have acted on this letter please furnish me a list of those employees who have been restored and a list of those not restored, with a notation opposite the names on the second list of the reasons why the particular employees were discharged.

I am giving out no notice about this and trust that when you have taken action, which I hope will be prompt, you will give out a notice of the action you have taken, stating that it was done in conformity to the policy laid down by the action taken by the Government.

With assurances of my respect, I am,

Sincerely, yours,

A. S. BURLISON, *Postmaster General.*

In one of these exhibits occasion has been taken to create the impression, either by direct assertion or inference, that the Government has not acted in good faith in these matters; for instance, in the Konenkamp letter the other day he said the Postmaster General had not kept his word. There was no word out; there is no basis for the charge in either case, and so far as the papers that you submitted, Mr. Woodyard, there is no promise made. The Postmaster General promised to take up this question and consider it. When he

considered it he modified the plan that the operators and company had both agreed upon, and I must say for the companies concerned, the company recommended the original scale agreed upon. The Postmaster General did not see where the money was to come from, and he saw that the conditions had changed, and he did not see how, as a Government official, he could fix a scale of wages to date back to August 1, when the order was being signed on December 1.

Mr. WOODYARD. Was that done with the railroads?

Mr. LAMAR. That was the attitude the Postmaster General took with regard to it. We are operating in different circumstances than the Railroad Administration. In any event, the Postmaster General did not think it was a proper thing, certainly by analogy to anything done, that the Post Office system should fix promotion or wages dating back six months before.

I will have that order go into the record.

STATEMENT OF MR. M. T. MAY, STATISTICIAN OF THE INTER-STATE COMMERCE COMMISSION.

Mr. LAMAR. You belong to the corps of statisticians of the Interstate Commerce Commission?

Mr. MAY. From the Division of Statistics.

Mr. LAMAR. I would like to have you state just what occurred in connection with the collection of data that was made at your department to assist the experts of the Post Office Department in arriving at these compensation agreements, and what part you took in the collection of that data.

Mr. MAY. I have been in charge of the annual reports of telephone and telegraph companies in the Bureau of Statistics and Information, and we have never made a compilation of data from the annual reports of these companies until the year 1916; that is the year ended December 31, 1916, and the statistician thought it would be well to put some figures together to show as nearly as might be, and in accordance with reports they furnished us, the conditions of these various companies, telegraph and telephone companies. In accordance with that wish, he instructed me to start to work in that direction, and I did. I compiled what is designated as a memorandum covering three classes of telephone companies and all telegraph companies. This memorandum covers all the telephone companies that file annual reports; that is all of the companies the operating revenues of which are above \$10,000 per annum. In addition to that there are something like 8,000 telephone companies that have smaller revenues, that merely file a circular, and we keep in touch with those companies by a circular, but there is no data in this memorandum pertaining to these smaller companies. The business of some of them even haven't an organization in the way of a corporation, but this covers the A, B, C companies; A companies are those having revenues above \$250,000; B companies \$50,000 to \$250,000; C, those between \$10,000 and \$50,000. D companies, or circular companies, are not considered in this memorandum which was gotten up. This also covers data pertaining to the telegraph companies, and we separated that to show the matters pertaining to the Western Union Telegraph Co., and 40 companies, which were considered as forming the so-called

Postal system, and the other companies that are independent of these two.

Mr. LAMAR. That [indicating] is the table which I put into the record this morning?

Mr. MAY. That is the table. The Post Office Department, or wire control committee, took advantage to some extent of the work that we were doing with the commission, and we endeavored to assist them in any way that we could by furnishing them this information; and the latest published statement that we have is for the year ended December 31, 1916, but in addition to that in certain instances we made up on the request of the Post Office people data pertaining to the year 1917; that was true in respect to the Postal companies, I believe, and with one or two other cases, but the figures that we have are embodied in this memorandum here, submitted by Judge Lamar this morning.

Mr. MADDEN. Your compilation was made up annually from reports in your office?

Mr. MAY. Yes; I have the reports here from which these data were made.

Mr. MADDEN. You have no personal knowledge of the facts in the case, except as you obtained them from the reports?

Mr. MAY. That is true.

Mr. LAMAR. The reports are all sworn to, are they not?

Mr. MAY. All made under oath. It is just a matter that I might explain in a little more detail. As a rule, we simply take the figures in the reports and put them together. Where there are obvious errors in the reports, we try to correct the reports through correspondence and otherwise. Our method of handling the reports—I am speaking in a way of all reports, the steam roads, the telephones and others—is to have them examined by clerks, whose duty it is to make examination of the various features of the reports, and they make memoranda of their observations in that examination. If we feel that we are justified in taking exceptions to the reports, we correspond with the companies about the report, and if they agree to make changes, or authorize us to make changes in the reports, we will change the data in the report in our office on such basis. Then the figures are the changed figures, but I will say that we have not corresponded very extensively with the telegraph and telephone companies. In making this tabulation we did not feel that we had time. However, the 1918 figures, when they are given out, will be more the basis of corrected returns made in that way than the 1917 figures. These represent merely the returns by the companies unless there was a very obvious error in the returns, in which event, we possibly insert figures that we think correct; like you might find a total of some come column that was made up wrong; we correct clerical errors like that.

Mr. MADDEN. That would in no way change the ultimate outcome of the reports?

Mr. MAY. No; it had to work itself through; that is perfectly clear.

Mr. RAMSEYER. Did you make any such corrections in any companies of the Mackay people? Are the figures here the original reports sent you?

Mr. MAY. The figures here, I would say, are almost exclusively, if not exclusively, the returns and reports they sent. I do not think for

the Mackay companies there were any corrections that would be worth while considering before they were published.

Mr. MADDEN. Did you make these reports yourself, or somebody else.

Mr. MAY. The companies.

Mr. MADDEN. Did you make the tabulation?

Mr. MAY. I was in charge of the work.

Mr. MADDEN. It does not represent your physical labor?

Mr. MAY. No; it was made under my jurisdiction.

Mr. LAMAR. I would like you to explain one item among the companies which makes the total of 40. The officers of the company in submitting their questionnaire stated it embraced 39 companies, and while they had relations with those companies, the controlling of such did not belong to the Mackay system, and therefore left out of their questionnaire. You have for the purpose of making these figures available for comparison in the copy I have put into the record, deducted in such column, the figures shown in the North American, so as to make these figures susceptible for comparison with the questionnaire figures?

Mr. MAY. I would like to explain, Judge, in connection with that. It is correct, I will say, in answer to your question; we tabulate here what we considered at the time were the so-called postal companies; in other words, the so-called postal system, which I understand represent more a trade name than otherwise, and we include with those companies the North American Telegraph Co., considering that it was one of the postal system, and we had justification for considering that.

Mr. LAMAR. It is not a question whether you did for your purpose or not. I just simply wanted you to explain how the figures in the North American happened to be deducted from this scale for the purposes of this record.

Mr. MAY. It was simply for the purpose of showing the total, as I understand, similar to those in the questionnaire.

Mr. LAMAR. Reducing both propositions to the same basis?

Mr. MAY. Yes.

Mr. LAMAR. You noticed certain differences between the sum total in these figures for the 39 companies and the figures submitted in the questionnaire by the Mackay companies, did you not?

Mr. MAY. Yes; you consulted us with respect to the questionnaire, and asked us if we could make a sort of comparison.

Mr. LAMAR. That comparison is the paper I filed in the record this morning, signed with your name?

Mr. MAY. Yes.

Mr. LAMAR. You examined that this morning?

Mr. MAY. Yes.

Mr. LAMAR. That paper was made about what time; it was before the compensation question was settled pending the consideration of compensation payments, was it not?

Mr. MAY. I can not recall just the time.

Mr. LAMAR. It does not seem to bear a date, and I wished to identify it.

Mr. MAY. I recall it was shortly after you received the return questionnaire.

Mr. LAMAR. You know we were considering getting this information for the purpose of considering in connection with the proposition for compensation?

Mr. MAY. Yes; you told me that at the time; that was partly the object of it.

Mr. LAMAR. Just one other question, Mr. May. These reports, as I saw them here this morning, and as I understand them to be purported to be sworn to by officers of these companies; 39 companies throughout the United States; it has been admitted here in testimony this morning, as a matter of fact, these three reports that have been made to the Interstate Commerce Commission, were made up in the office of the Mackay company in New York, but as I understand Mr. Reynolds, copies of the same to go back to the companies, which form their files. Each company has a file or book which contain data that corresponds to this data that is made to the Interstate Commerce Commission. Do you know anything about that, as to whether there is any experience that would indicate whether these companies, or local companies, actually had kept any books at all, or not?

Mr. MAY. I am familiar with our rules pertaining to those things, but so far as my personal experience goes, I have never been directly in touch with and of the Postal companies at all. There are rules for returning data in the annual reports, and also rules of keeping their books. We call it our uniform system of accounts of telephone companies, and that explains in very great detail the methods under which they shall keep their records.

Mr. LAMAR. That is directed to each one of these local companies, not the Mackay companies, at all?

Mr. MAY. Yes.

Mr. MADDEN. When did that uniform system of accounting go into effect?

Mr. MAY. We have had many systems of accounting for so many things, but I believe it was July 1, 1914, for telegraph companies.

Mr. LAMAR. Whether or not local taxing authorities wanted to consult public records or office records in the discharge of their duties, locally you assume the local books would show the same as these sworn reports to the Interstate Commerce Commission, do you?

Mr. MAY. That would naturally be supposed.

Mr. MADDEN. What does Mr. May say about that?

Mr. MAY. Simply the rules.

Mr. MADDEN. You don't make assessments?

Mr. MAY. I am speaking particularly about taxes with respect to their book returns, with respect to tax returns, and their investments. It should be in accordance with their records. Our rules require that.

Mr. MADDEN. He has asked you what the policy of the board of assessors would be?

Mr. WOODYARD. What are these reports submitted to the Interstate Commerce Commission for; not for the purposes of taxation? What is the object?

Mr. MAY. That possibly might be a little out of my line to attempt to answer that. My position is really to work up data from the reports.

Mr. WOODYARD. I ask, then, what use are they?

Mr. MAY. They are public records, is one thing, and the commission will make up data or tables from them that can be used for any purpose that occasion may require. If a committee of Congress or otherwise should want any information about steam roads, telegraph or telephones, our annual reports would be very valuable for the purpose of giving them the information requested. We are the division of statistics.

Mr. WOODYARD. Are open to local officers?

Mr. MAY. We are requested almost continuously officially for information from various sources, outside sources, and Government sources, and otherwise, and reports are very valuable for any number of purposes.

Mr. LAMAR. You use them in connection with valuation of these properties. This is in process now, is it not?

Mr. MAY. I do not come in contact with that, but I do know that the division of valuation have to a certain extent made use of our reports, but just what I do not know.

Mr. MADDEN. You would not undertake to say that the valuation of properties are made out upon these reports?

Mr. MAY. No; the commission has a valuation division which handles that matter. I am not in touch with their activities at all.

Mr. WOODYARD. These reports are not made the basis of taxation of the local communities and States, are they?

Mr. MAY. No; these reports purport to represent the results of operation.

Mr. WOODYARD. They are open if they are wanted.

Mr. LAMAR. Are these the only data that the authorities are accessible to? They can not see what the Mackay company is doing?

Mr. WOODYARD. I think the local boards in the various States utilize the commission's data for these all.

Mr. LAMAR. Yes, but these are the only reports that are accessible to them.

Mr. RAMSEYER. On page 24 and 25 of the memorandum before you; does that give a list of all the telegraph companies in the United States?

Mr. MAY. Yes, and that is practically the operating companies; there may be two or three dead companies that hold title to property, but all the operating companies.

Mr. RAMSEYER. Does this memorandum on some other page give all the telephone companies in the United States?

Mr. MAY. No; not nearly all. I just explained there are nearly 8,000 we get circulars from that are not embodied.

Mr. RAMSEYER. How many in class 1 of that report with operating revenue of over \$250,000?

Mr. MAY. It shows all the classes in A, B, and C. I do not recall that it shows how many there are of each company.

Mr. RAMSEYER. Could you get for me this data, the number of companies in Class A, B, and C, these three classes referred to. In Class D you simply have memoranda?

Mr. MAY. Circular, we call it.

Mr. RAMSEYER. In Class D, does that include these mutual companies throughout the United States?

Mr. MAY. These farmers' lines, partnerships, and private individuals have little exchanges of their own, and business would be merely supervisory.

Mr. RAMSEYER. Does it give the number of mileages of each one of them?

Mr. MAY. Circulars give certain information pertaining to them.

Mr. RAMSEYER. Have you compiled it?

Mr. MAY. No; nothing except the circular, and we file them; and in this connection I want to say that these were not companies that should make an annual report; that is, their revenues were too low to request them to make an annual report.

Mr. RAMSEYER. That is the information I have asked for of you here is all down in this memorandum?

Mr. MAY. Pertaining to the A, B, and C companies; yes.

Mr. RAMSEYER. Doesn't this memorandum show how many companies in Class D?

Mr. MAY. No.

Mr. RAMSEYER. But there are 8,000.

Mr. MAY. I made an estimate a few days ago, 8,135 companies we were receiving circulars from.

Mr. RAMSEYER. Are there some companies that you do not receive circulars from?

Mr. MAY. Yes; there are probably many businesses that we receive nothing from at all. I understand that the census have been in touch with a large number of telephone businesses. Maybe farmers will have 2 telephones or 25 telephones connected up among neighbors—his house to his barn or something of that kind.

Mr. RAMSEYER. These farmers' lines, where 20 or 25 go into a company and are connected with a switchboard in town, are these companies in the 8,000?

Mr. MAY. For the most part, I believe, most of them.

The CHAIRMAN. About how many telephone companies are there in the United States, of all kinds?

Mr. MAY. There is no way of determining that, Judge Moon, so far as I know; we have no data. I might give a guess; it might be accurate or not; we have slightly less than 1,000 that file reports, and there are slightly more than 8,000 that file circulars, and then the Census Bureau has record of some 10,000 or 12,000 telephone business in addition to that.

Mr. RAMSEYER. In addition?

Mr. MAY. Yes; just what they are, I don't know. I believe it is claimed there are 20,000 separate organizations.

Mr. RAMSEYER. That is, counting those whose incomes are \$250,000 up, down to these little companies?

Mr. MAY. Yes; many do not operate on the basis of the rates and charges.

The CHAIRMAN. Call your next witness, Mr. Steenerson.

Mr. STEENERSON. Mr. Cashman.

STATEMENT OF MR. THOS. E. CASHMAN, COMMISSIONER MINNESOTA COMMISSION OF PUBLIC SAFETY, OWATONNA, MINN.

Mr. STEENERSON. What is your occupation?

Mr. CASHMAN. I am a grower and retailer of nursery seeds and cut flowers, carrying on a general line of farming.

Mr. STEENERSON. In an official position?

Mr. CASHMAN. I am at the present time a member of the Minnesota Public Safety Commission.

Mr. STEENERSON. That was organized on account of the war?

Mr. CASHMAN. Yes; it is not a position, however, that carries any salary.

Mr. MADDEN. Nothing to do with telephone and telegraph? If you don't get anything in the way you want here, you won't lose your job?

Mr. CASHMAN. No, sir.

Mr. STEENERSON. Go ahead, and make your statement.

Mr. CASHMAN. I want to say, gentlemen, we are users of 12 business phones in our business, and being situated similar to practically all other business men and users of telephones in every part of the country, make a strenuous protest against the rates that have been recently promulgated by Postmaster General Burleson. The time limit of conversation, 3 minutes, is going to increase our rates materially. I can safely say that the average conversation usually consumed by our company is about 1 minute; at least 40 per cent of all our calls are 1-minute calls; perhaps 25 per cent are 2-minute calls; the balance 3 minutes or over. Now, the 1-minute call in Minnesota, for a distance of 61 miles, which is the distance that we live and operate our business from St. Paul, Minneapolis, and where we do considerable business, and a distance where a great many of our men operate, costs us for 1 minute, 25 cents.

Mr. RAMSEYER. Just right there; the percentage you give, is that your business or all the business of Minnesota?

Mr. CASHMAN. Of the business of Minnesota, as I understand it.

Mr. RAMSEYER. Where did you get the data?

Mr. CASHMAN. From the Minnesota Railroad and Warehouse Commission.

Mr. RAMSEYER. That it did cost you 25 cents for 1 minute?

Mr. CASHMAN. Sixty-one miles.

Mr. RAMSEYER. Under private control?

Mr. CASHMAN. No; at the present time.

Mr. STEENERSON. It is the same rate that has been in force?

Mr. CASHMAN. Yes; in fact, it is the rate maintained by our Minnesota Railroad Commission, who have charge of all the telephone utilities of the State.

Mr. STEENERSON. That you are not objecting to?

Mr. CASHMAN. No, sir; the 3-minute call for 61 miles, which now costs 25 cents is 55 cents.

Mr. MADDEN. I do not quite understand it.

Mr. STEENERSON. The proposed rate?

Mr. CASHMAN. The proposed rate; the rate just promulgated. It compels us to talk 3 minutes whether we want to or not.

Mr. STEENERSON. At least you pay for 3 minutes?

Mr. CASHMAN. The minimum is now 3 minutes.

Mr. BEAKES. The station-to-station call is 25 cents?

Mr. CASHMAN. Person-to-person calls, it is. If we just should talk 2 minutes—the rate formerly enjoyed was 40 cents for 2 minutes. The shortest time now is 3 minutes, 55 cents. No change there. If we choose to talk 3 minutes, the rates will be the same as the new

rates. Now, for the 100 miles in Minnesota, the 1-minute rate has been 40 cents. Under the new order we will be compelled to pay 85 cents.

Mr. MADDEN. For 3 minutes?

Mr. CASHMAN. Yes.

Mr. MADDEN. What per cent of your calls will be 1 minute?

Mr. CASHMAN. Forty per cent of our calls are 1 minute.

Mr. MADDEN. So, on 40 per cent of your calls you would have to pay 45 cents more per call than formerly?

Mr. CASHMAN. Thirty cents.

Mr. MADDEN. Forty and 45 is 85. You said 40 cents.

Mr. CASHMAN. My first proposition was on the 61 miles.

Mr. MADDEN. I am talking about 100 miles.

Mr. CASHMAN. One hundred miles, the 1-minute call is 40 cents; the Government 3-minute call is 85 cents.

Mr. MADDEN. Making 45 cents additional, and 40 per cent of your calls would be 1-minute calls; so on 40 per cent of your calls you pay 45 cents more than you did formerly?

Mr. CASHMAN. If we choose to talk 2 minutes at a distance of 100 miles, our old rate has been 55 cents; new change of the Government rate 85 cents. If we choose to talk 3 minutes, on our old rate we paid 75 cents. The Government rate for 3 minutes is 10 cents higher, or 85 cents. If we choose to call one of our men, or some customer that lives 150 miles distant from our place of business, and talk to him 1 minute, the old rate was 50 cents for 1 minute; the Government 3-minute rate is \$1.25. The old Minnesota rate for 150 miles for 2 minutes was 80 cents. The old Minnesota rate for 3 minutes was \$1.15. The Government rate is \$1.25.

Mr. MADDEN. And the lowest rate under the Government scale is 3 minutes?

Mr. CASHMAN. Three-minute rate; yes, sir.

Mr. MADDEN. So, on 40 per cent of your calls you pay 75 cents more for each call than you have been doing?

Mr. CASHMAN. Yes, sir.

Mr. MADDEN. In any case, you pay 10 cents more on any call?

Mr. RAMSEYER. What is the comparison of rates above 3 minutes?

Mr. CASHMAN. I haven't got this; the gentleman following me can give you those, if you wish to have them.

Mr. RAMSEYER. Do you know whether or not the companies under private control or ownership, these rates would not have been raised?

Mr. CASHMAN. The telephone companies of the State of Minnesota have asked to be heard on the raise of telephone rates, and they were denied a raise in rates.

Mr. RAMSEYER. When was that?

Mr. CASHMAN. The first week of this year, as I remember it.

Mr. AYRES. That is since it is under Government control?

Mr. MADDEN. Have you ever thought out what the higher percentage of increase in rates will be under the Government system of calls, and what would be effected by that higher percentage of rates?

Mr. CASHMAN. I am not in a position to answer that question.

Mr. STEENERSON. It will be elucidated as you proceed, will it not?

Mr. CASHMAN. Yes; I say, however, that the congested centers, and in the East where cities are close together, would profit more than in the sparsely settled sections; that is, the rates will not perhaps be lower to the consumer in the East than in the central and western part of the United States.

Mr. RAMSEYER. Just one question, before you proceed. You spoke of the old rate. Is that rate approved or fixed by your State commission?

Mr. CASHMAN. Yes, sir; that has been approved and fixed by the Minnesota Railroad Commission.

Mr. AYRES. That rate was during normal times, was it not?

Mr. CASHMAN. Yes, sir.

Mr. AYRES. There was no material agitation for an increase in wages or increase in material, or anything of that kind? Now, during these times, you believe that your State commission, if it had full control, exclusive control in fixing these rates, would not grant your telephone companies an increase of rates, in view of the high cost of material and wages?

Mr. CASHMAN. Our commission believes they have full control at present of making rates. They listened to arguments of the telephone companies in 1918, which took in the neighborhood of two weeks, and after going into the matter fully, they came to the conclusion that the telephone companies were not suffering under present conditions; that they were not entitled to the raise in rates with their stock selling at 102 to 105, and paying close to 6 per cent dividends in these abnormal times, which is much better than the average concern can show; in fact, the average business man would be glad to hold his head above water. We do not feel now that the war is over.

The CHAIRMAN. When did it end?

Mr. CASHMAN. I believe it ended when the armistice was signed.

Mr. AYRES. Then they must have been allowed too high a rate in normal times by the commission?

Mr. CASHMAN. We have felt so.

Mr. STEENERSON. I would suggest that the committee permit the witness to proceed.

Mr. CASHMAN. I would not say it as a reflection on the commission even though the rates were high, as those companies have not been in the hands of our Minnesota commission for one or two years, and this hearing was the first opportunity they had to go into the matter fully.

Mr. MADDEN. During that hearing they disclosed that 12½ per cent of their stock was in the surplus depreciation account?

Mr. CASHMAN. I think so.

Mr. BEAKES. Have you any idea what proportion of your business will be station-to-station calls if the new rates went into effect?

Mr. CASHMAN. I would say that perhaps 75 per cent of our business, telephone business, is 61 miles or farther.

Mr. BEAKES. That is not what I mean. Do you call up a firm, or do you call for a certain individual?

Mr. CASHMAN. We deal with both.

Mr. BEAKES. What proportion do you call a firm instead of an individual?

Mr. CASHMAN. I am not prepared to give those figures.

Mr. BEAKES. That has a bearing, because the station rates are much lower than the person-to-person rates.

Mr. HOLLAND. Under department rules, you have to pay whether you get your person or not; under the present rules, you do not?

Mr. CASHMAN. If you don't get the person called, you are not charged; at the present time, we are charged whether you get the person or not. I will state further, Mr. Chairman, that I listened attentively to the statements of Mr. Putman and Mr. Elmquist, and I want to substantiate the statements made.

The CHAIRMAN. How far is that?

Mr. CASHMAN. It is as far as my experience goes in using telephones, and attending telephone hearings as a member of the Minnesota Legislature for eight years, and dealing with that question as public men are called upon to deal.

The CHAIRMAN. Does the Legislature of Minnesota deal with this telephone question?

Mr. CASHMAN. A telephone bill was studied before the Minnesota Legislature at four sessions of which I was a member.

The CHAIRMAN. This one minute call is rather peculiar to Minnesota, is it not? It does not exist in other States.

Mr. CASHMAN. I understand that is a universal rate.

The CHAIRMAN. I want to know of your own knowledge, do you know whether it exists in other States or not?

Mr. CASHMAN. I do not know what the rate is in other States.

The CHAIRMAN. It does not exist anywhere except in Minnesota?

Mr. CASHMAN. I am not prepared to answer that question.

The CHAIRMAN. You do not know how that is?

Mr. CASHMAN. No, sir.

The CHAIRMAN. What is your business?

Mr. CASHMAN. Growers and retailers of seeds, nursery stock, cut flowers; in the blooded stock business; generally called farmers.

The CHAIRMAN. Have you any expert knowledge in the operation and management of telephones?

Mr. CASHMAN. No; not to speak of.

The CHAIRMAN. How do you happen to come down here to testify about it; what is your interest in it?

Mr. CASHMAN. I am representing the Minnesota Public Safety Commission, and also represent a large number of telephone users who are protesting against these rates.

The CHAIRMAN. You don't know whether your conditions in reference to telephone matters are different from other States, or not?

Mr. CASHMAN. I don't know as to that.

Mr. STEENERSON. Would it be convenient to let the witness make his statement before he is cross-examined?

The CHAIRMAN. He has already made his statement.

Mr. STEENERSON. He has not finished.

The CHAIRMAN. I am asking him questions. I don't see why the time I ask questions should be objected to.

Mr. STEENERSON. I do not object, but the witness should be treated the same as the Government witness.

Mr. RAMSEYER. The Judge is asking questions touching his qualifications to qualify as an expert.

Mr. STEENERSON. I ask that the witness be permitted to proceed.

The CHAIRMAN. The witness had stopped.

Mr. STEENERSON. He was stopped by various questions.

Mr. RAMSEYER. The questions asked by the Chairman are in order.

The CHAIRMAN. You have been talking about the high rates giving consideration. What about the low rates; no change in them?

Mr. CASHMAN. I understand after 9 o'clock at night we are permitted a lower rate. That is a time when business men and people who work and use the telephone are in bed, and don't want to be interrupted. That would not be of any particular value to the business men of the smaller towns, the farmer, and general users of the telephone, that I represent. The men who work hard all day don't sit up at night to use telephones.

The CHAIRMAN. Was there any statement you wanted to make before I asked questions that you didn't make?

Mr. CASHMAN. I wish to say the people I represent are opposed to Government ownership, and I would like to give the reasons.

Mr. STEENERSON. Just what the committee would like to hear.

The CHAIRMAN. We don't understand this as an ownership resolution, but if you want to consider it that way, proceed.

Mr. CASHMAN. We are afraid this resolution will lead to ownership, if passed. As a business man and from my own experience, I have found that men doing public work do not perform near the service as in private work. We find that in our municipalities that men do not perform anywhere near the labor working for the municipality that they do working for the private concern. We find that it costs the county considerably more to build a courthouse than the same building could be constructed for by some private party who is continuously on the job and has an interest in every detail, and sees to it that every man performs his share of the labor. As a member of the Minnesota legislature, we often appropriated \$20,000 or more for the building of a barn that I would be glad to take the contract for at \$8,000.

The CHAIRMAN. You build barns up there?

Mr. CASHMAN. We said often to the men who had submitted these plans, "Why does it cost more for the State to erect and construct buildings than private parties?" They say, "You know that is true in every case."

Mr. RAMSEYER. You ought to watch them spend here during the war; that is, the Government. This isn't a zephyr to that.

Mr. CASHMAN. There was a post office some three or four years ago costing \$55,000, that one of our contractors would have been glad to take for \$25,000, not to exceed \$30,000.

Mr. BEAKES. Why didn't he bid on it?

Mr. CASHMAN. There was no opportunity.

The CHAIRMAN. Of course they advertise for the bids. It can not be done in any other way.

Mr. STEENERSON. You are just discussing the general principle.

Mr. CASHMAN. General principle. We are a large employer of labor and find that men who have worked for municipalities and for the State, generally speaking, are not as efficient and do not perform as much labor as men who have always worked for private parties, and we would not care in these affairs to employ a man

who had worked for a municipality unless he is an extraordinary man. That is my experience in handling labor.

Mr. RANDALL. In that connection, would you say the employes of the Post Office Department, clerks and mail carriers, are less efficient and do less work than men employed in private employment in similar work.

Mr. CASHMAN. I do not say they are less efficient. I say they perform, as a usual thing, less labor. I believe that if the average business man had to employ the amount of help to carry on his business that is employed in the Federal post office he could not make ends meet. It would take away the initiative from the man, and that is what you do when you put him under civil service rule; destroys his ability for results; in fact he gets to be a sort of machine. He has no opportunity to become a captain of industry, doesn't have to fight for his existence, and you destroy his usefulness to a large extent. Therefore, as near as I can learn, the average business men that have had to fight for an existence, who know the value of a dollar, are absolutely opposed to anything in the form of either municipal, State or Government ownership. As far as regulation is concerned, we think the smaller the unit the better results we can get. If we get into trouble with our utilities, we do not want to have to go to Washington. We have not the money or time to spend to come here. It is bad enough and far enough to have to go to St. Paul. Our St. Paul Utilities Commission understands our needs and situation, and our climatic conditions.

Mr. RAMSEYER. Are they elected or appointed by the Government?

Mr. CASHMAN. Elected by the people; can change them every four years if they don't give us a fair deal. In conducting this hearing you don't find any farmers here. Perhaps I am the only business man from any part of the United States. The distance is too great; most of them know nothing about it. You members of Congress are, perhaps not in touch with the wishes of your people.

The CHAIRMAN. Don't trouble yourself about that.

Mr. CASHMAN. I find one thing, that the people who are interested in those utilities are constantly on hand, giving you gentlemen information, and you don't get very much of the other side. I, as an official and member of the legislature, found that to be true. If I didn't get home every week or so, I would not be in touch with my people, and I wasn't over 70 miles away.

Mr. RAMSEYER. We correspond and have the franking privilege.

Mr. MADDEN. What most of these men who are interested has just the opposite effect from what they intend to have on us.

Mr. RANDALL. They hurt the case by being around us.

Mr. HOLLAND. Except the Prohibitionists.

Mr. CASHMAN. The average business man thinks of the Government ownership of what watered stock that there might be in the different utilities and the railroads of the country. I think that the Congressmen of the United States would do a valued service to the people if they would attempt to get a correct and honest physical valuation of all the properties as well as learn how much, if any, watered stock exists, and appropriate sufficient money to buy it and retire that watered stock, turn these railways and those utilities back to their owners at honest values under the guidance and supervision

of our Interstate Commerce Commission and our State utilities commissions.

Mr. AYRES. The Interstate Commerce Commission has been trying for six or seven years to get a valuation and find how much watered stock.

Mr. RANDALL. I understood you to say, buy these up and then turn them back.

Mr. CASHMAN. No; I would attempt to reduce the water; learn how much water there is, and buy the stock of the innocent party.

Mr. RANDALL. And then hand it back to the party that watered it in the first place.

Mr. RAMSEYER. The contention is that it would pay the public to do that.

Mr. RANDALL. He is going to hand it back to the man that put it in the stock.

Mr. RAMSEYER. Give it to the widows and orphans.

Mr. STEENERSON. The testimony before this committee seems to be that these telephone companies are not overcapitalized, that there is no water. In fact, they seem to be bone-dry, in fact, undercapitalized, according to the Post Office Department, and according to the criticism made by Mr. Lamar of the MacKay companies, so there is no question watered stock as far as the telephone companies are concerned.

Mr. MADDEN. The main complaint is that the telephone company was not sufficiently capitalized.

Mr. LAMAR. I don't say that is the case in all the companies. In some of them there is watered stock.

The CHAIRMAN. If there is nothing further, you may stand aside, Mr. Cashman.

Mr. RANDALL. Are you opposed to the civil service law?

Mr. CASHMAN. No; I am not.

Mr. RANDALL. I understood you to say the employees under civil service were less efficient.

Mr. CASHMAN. No, I think if there are any functions the Government has to perform it should be performed under civil service rules.

Mr. STEENERSON. Do you think that the assumption of control by the Government of these telegraph and telephone companies or eventually Government ownership and operation of them, of these various means of communication, would have no effect upon the citizens' rights as citizens.

Mr. CASHMAN. I think this, that the rates would be increased. They would have to be increased, because, as far as I can see, neither State nor Government is able to perform the same service at the same expense, as private individuals; therefore, the rates must be, naturally, increased.

Mr. STEENERSON. How would it be with reference to political influence?

Mr. CASHMAN. I think perhaps it would have considerable influence politically.

Mr. RAMSEYER. Mr. Cashman does not know any more about that than others.

Mr. CASHMAN. A man usually likes to please the most of the men he is working for.

Mr. STEENERSON. It seems to me I would like to have this witness's reason for opposing Government control or ownership, and whether it would adversely affect the rights of the voter. Have you anything to say on that subject? As to whether it would interfere with the rights of voters in the free exercise of their right or anything of that kind?

Mr. CASHMAN. I think it would bias.

Mr. STEENERSON. For the Government to own all the means of communication?

Mr. CASHMAN. I think it would bias the voters in the casting of their votes. A man usually likes to please his master, the man paying his salary. We have a great number of our population working under civil-service rules, who would be inclined to please those whom they are working for.

Mr. RANDALL. Then, he would be giving good service if he is trying to please them.

Mr. MADDEN. I would like to make a short statement before Mr. Cashman gets off the stand. He has said that 40 per cent of all the calls that he made were on the one-minute basis?

Mr. CASHMAN. Yes, sir.

Mr. MADDEN. And I have been having a compilation of figures made while he has been testifying here, intended to show what the percentages of increase in the present rates are, and what the present rates are, minimum and proposed rates, and percentage of increase. On 50 miles, the minimum rate, you testify, was 25 cents?

Mr. CASHMAN. Yes, sir.

Mr. MADDEN. The proposed rate is 50 cents, which makes 100 per cent increase.

Mr. CASHMAN. The proposed rate is 55 cents, 75 miles rates 30 cents, proposed rate 65 cents; 116 per cent increase on tolls. One hundred mile rate, 40 cents; now proposed, 85 cents, percentage of increase 112 per cent. One hundred and twenty-five miles, present rate, 45 cents; proposed rate by the Government \$1.05; percentage of increase 133 per cent. One hundred and fifty mile rate 50 cents at present, proposed \$1.25; percentage of increase 150 per cent. One hundred and seventy-five mile rate, 55 cents, proposed rate of \$1.40, percentage of increase 154 per cent. Two hundred mile rate, at present 65 cents, proposed rate \$1.60; 138 per cent increase. Two hundred and twenty-five mile, present rate 70 cents, proposed rate \$1.85; increased percentage 164. Two hundred and fifty mile, present rate 75 cents, proposed rate \$2.05, percentage of increase, 173.

Mr. BEAKES. One-minute calls?

Mr. MADDEN. Government three-minute calls.

Mr. CASHMAN. Three hundred miles, 90 cents, proposed rate \$2.40, an increased percentage of 181, and 40 per cent of all the calls made are on the basis of this percentage increase.

The CHAIRMAN. Who does that money go to?

Mr. MADDEN. To the telephone companies.

The CHAIRMAN. Certainly, who else would it go to. All of it to the telephone company. How much of it goes to the telephone company?

Mr. MADDEN. Mr. Lamar just testified a short time ago that in the contract obligations of the Government with the telegraph and telephone companies and with the proposed increases of compensation to the telegraph operators that there would be a large deficiency if the recommendations made by the telegraph companies were put into effect, because the Postmaster General saw that the revenues of the companies would not stand the increased compensation for the operators, it was thought advisable to reduce the compensation proposition between the men and the company.

The CHAIRMAN. As a matter of fact, there has been no loss, but where will this money go for paying compensation to the companies?

Mr. CASHMAN. It will go into the telephone company to make up the losses of funds.

Mr. MADDEN. Is there any justification, Mr. Chairman, for the Government of the United States under the present conditions where everybody is being taxed to the limit of their powers of endurance, to have this additional tax on business where people have to communicate with one another to transact business?

The CHAIRMAN. You are not prepared to say, because this would not justify him in saying that the changed conditions are such that if the companies had these telephones in full operation they wouldn't have to make just the increase the Government has had to make.

Mr. MADDEN. Then there is this case. As I understand the chairman of the Minnesota Warehouse Board in his testimony to say, they only charge $3\frac{1}{2}$ per cent depreciation, and they paid for the renewals and betterments, and that they still have $12\frac{1}{2}$ per cent of their capital in depreciation reserve. Under the Government plan they propose to make 5.72 per cent depreciation instead of $3\frac{1}{2}$, and, of course, the difference between 5.72 and 3.50 is 2.22.

The CHAIRMAN. That is, running through a series of years.

Mr. MADDEN. Added to the company's revenue coming out of the pockets of the people using the telephone.

The CHAIRMAN. Is that the question you are asking him?

Mr. MADDEN. No; that is in reply to you.

The CHAIRMAN. Let this witness step aside. Is there anything more, Mr. Cashman?

Mr. CASHMAN. Nothing more.

The CHAIRMAN. Mr. Lamar wants to ask him a question if there is no objection.

Mr. LAMAR. If this scale of charges which you have just been discussing should prove to yield too much revenue, why you understand that it is a nation-wide rule, affects all communities alike, it would be perfectly feasible for the Government to get enough money to operate these companies to make a 10 per cent reduction or 5 per cent reduction, or 30 or 50 per cent reduction, if necessary, and by one or another to reduce the amount of revenue all over the country. Does that apply equally to every user of the telephone?

Mr. CASHMAN. I think the community is too large, covering too much territory. Conditions are so different over the United States that what might apply in one State as a fair rate would not be a fair rate in another.

Mr. LAMAR. That is not so much the case with the long distance line as with the local line, is it; local exchanges?

Mr. CASHMAN. Well, yes, because in Minnesota the great majority of the calls is within the State. As I stated before, my experience of public ownership is that it costs a great deal more to perform the same service, and "Jones has got to pay the freight," and I think if these rates are once put into effect, instead of reducing them, there will be an inclination to increase.

The CHAIRMAN. Can you give any reason why the Government of the United States, administered by intelligent men of any party, can not select officials that will give as good service to the country and have the duties of these places performed as well as by the private individual. What more ability has an individual who is not a Government official than if he were?

Mr. CASHMAN. As I stated before, there is no incentive to work or get results, if you have a fixed salary and know that is as far as you are going to go. But if the burden is placed upon you to work you are going to work harder, more intense, and more thorough—will have in mind the holding of his job. He has got to work harder, he is looking for a raise in wages. He is trying to better his own condition under private ownership. Under public ownership, as a usual thing, he can see nothing in the future. He does not take anywhere near the interest in the work. It is more of a machine proposition. If you want to get the highest efficiency in this country, you have got to put men on their mettle. If they can not obtain the results in 10 hours they have got to work 14, as practically all captains of industry will testify in getting started in life.

The CHAIRMAN. Supposing they can not work 14 hours under the law?

Mr. CASHMAN. In his private affairs a man can if he wants to.

Mr. AYRES. Have you a labor law in Minnesota covering these matters?

Mr. CASHMAN. I believe the Government works is the only thing; I am not sure of that.

The CHAIRMAN. Take this as an illustration. You are employed by a private concern to manage their business and see the best results come from within a given territory. You are getting, as you say, for the private concern, an incentive for you to work and hope for a better reward. Suppose the condition would change and the Government would have control of it, wouldn't you be as faithful and honest in your work for the Government as you would for the private individual?

Mr. CASHMAN. I act just as faithful and honest.

The CHAIRMAN. Just as efficient.

Mr. CASHMAN. Just as efficient, but there would not be the incentive to make me work as hard.

The CHAIRMAN. You think if you were employed privately, you would work harder than for the Government?

Mr. CASHMAN. If the boss was standing over me? That is the case under private ownership.

Mr. STEENERSON. You are not conscious of any partisan political bias against the department of Postmaster General?

Mr. CASHMAN. No; I have a great respect for the Postmaster General.

Mr. STEENERSON. You belong to some party?

Mr. CASHMAN. Yes, sir; I belong to some party, the Democratic.

Mr. RAMSEYER. I thought you had no Democrats in Minnesota.

The CHAIRMAN. Is there anybody else?

Mr. MADDEN. I would like to ask Mr. Lamar a question. Mr. Lamar, I would like to know if in the consideration of problems that have come before the wire board you have been able to ascertain the aggregate receipts of telephone and telegraph companies from toll service?

Mr. LAMAR. Yes, sir; a good many full statements have come in and have been requested, and, of course, there is a great deal to do and we are having these accounts settled up to January 1. We have a good many of one, two, three, and four months' statements, and the accounting experts are working on this now preparing a statement.

Mr. MADDEN. You don't know now what the aggregate receipts from the telephone and telegraph branches of the service are?

Mr. LAMAR. No; but we can get the information.

Mr. MADDEN. I would like to have it, and add to that the statement I have in figures here, the fact that 40 per cent of these receipts are increased by 144 per cent.

Mr. LAMAR. I want to say that the total business is a very small percentage of the total telephone business. I want to say further in that connection that these gentlemen who have testified have said nothing about the reduction in cost of operation in shorter distance or at any distance. There are some cases where there is standardization of rates.

Mr. MADDEN. I figured this up from 50 to 300 miles, and calculated it.

Mr. LAMAR. You haven't covered the whole scope of the matter.

Mr. AYRES. You don't think there would be very many 1-minute calls for 300 miles?

Mr. MADDEN. I say 40 per cent of calls would take that 300 miles. I started in from there down to 300.

Mr. LAMAR. I would like to put in the record at this point an estimate¹ made by one of the long-distance linemen some time ago. I think he said it took between 12 and 13 minutes to establish a long-distance call message and that the entire line was used during that period to establish a connection so that when a man uses a telephone even for 1-minute call it takes 10 to 12 minutes to get him. He is occupying it a small proportion of the time but the whole system is employed in getting him.

Mr. MADDEN. I am concerned about this 144 per cent in receipts.

STATEMENT OF JAMES W. HOWATT, SUPERVISOR OF TELEPHONES, RAILROAD, AND WAREHOUSE COMMISSION OF MINNESOTA.

The CHAIRMAN. We will hear Mr. Howatt.

Mr. STEENERSON. What is your position?

Mr. HOWATT. I am supervisor of telephones for the Railroad and Warehouse Commission of the State of Minnesota.

Mr. STEENERSON. How long have you been with them?

Mr. HOWATT. I have been with the Railroad and Warehouse Commission since July 1, 1915. That was the date on which the telephone law of Minnesota became effective.

¹ Estimate referred to by Mr. Lamar not printed.

Mr. STEENERSON. What experience did you have before that in the telephone business?

Mr. HOWATT. Approximately 18 years.

Mr. STEENERSON. Did you prepare this exhibit that Mr. Putnam offered as to the rates?

Mr. HOWATT. It was prepared by me and under my direction.

The CHAIRMAN. That has been put in the record once.

Mr. STEENERSON. Yes; but I just wanted him to give a short explanation of the effect of these rates. I would ask you, generally, if you have made a study of telephone rates in Minnesota as they exist and have existed since you have been connected with the Public Service Commission, and the proposed rates that went into effect to-day or are supposed to go into effect to-day under the order of the Postmaster General?

Mr. HOWATT. I have.

Mr. STEENERSON. What is the result of your comparison as to the increases in Minnesota?

Mr. HOWATT. The general tendency is, as telephone service is used to-day, toward a decided increase.

Mr. STEENERSON. Have you made any estimate as to the percentage of increase?

Mr. HOWATT. That varies considerably with the different distances, nothing up to more than 100 per cent.

The CHAIRMAN. Ask him any further questions you want.

Mr. STEENERSON. What would be the effect of this three-minute rule, or paying for three minutes?

Mr. HOWATT. The effect in Minnesota will be that all patrons using telephone service for distances greater than 22 miles will be compelled to pay for a minimum charge on a three-minute initial period basis, whereas to-day the minimum charges are based on initial periods of either one minute duration or two minute duration.

Mr. BLACK. On that point, how far does one minute limitation extend? How far do you permit the one minute rate?

Mr. HOWATT. To any distance within the State. No one minute rate is quoted, however, for a distance under 40 miles.

The CHAIRMAN. What do you mean by the one minute rate? A man calling another usually just for one minute in which to call him and get an answer, or do you take such time as necessary to reach him over the phone and then talk to him over the phone.

Mr. HOWATT. I mean when I use the term one minute rate, that the minimum charge for the conversation is based for the initial talking period of one minute.

The CHAIRMAN. You don't get my idea. Do you mean by one minute to cover all the time it takes to find him and bring him to the phone, or do you mean after he gets to the phone?

Mr. HOWATT. The time of the conversation begins at the moment that the parties begin communicating with each other.

The CHAIRMAN. And don't count the time that it takes the operator to get the two men together?

Mr. HOWATT. No, sir.

Mr. STEENERSON. That time has never been counted in the telephone business?

Mr. HOWATT. It has not.

Mr. STEENERSON. If the charge is made for time occupied in finding these parties that would be an innovation in the telephone business, so far as you know, would it not?

Mr. HOWATT. That time is included in arriving at and finding the message haul, and is included in the overheads, if you please.

Mr. STEENERSON. There was something said here by Mr. Putnam, I think, about the change in the rule with reference to the calls whether they were person to person or station to station. Have you noticed whether the new rule changes the old one in that regard, and what is the change?

Mr. HOWATT. I think the question might best be answered by saying that the Postmaster General under his proposed rate schedules prepares his basic schedules on what he calls the station to station call. The station to station call is ordinarily known in telephone terminology as two-number service, and is one which does not guarantee connection with any specific person.

Mr. STEENERSON. And still they make a charge?

Mr. HOWATT. You pay for the call whether you talk to the particular party or not.

Mr. STEENERSON. That was person to person. There is no charge unless the person is connected with.

Mr. HOWATT. That is true under our present schedules. Under the Postmaster General's schedule there are conditions under which he makes a report of charge of 50 per cent of the station-to-station schedules, whether or not you talk to your party.

Mr. STEENERSON. What effect will the increase proposed by the Postmaster General have on the expense to the subscribers in Minnesota? Will it increase or decrease?

Mr. HOWATT. It will greatly increase the cost of using the telephone by patrons. Does that answer the question?

Mr. STEENERSON. Yes; that answers it.

The CHAIRMAN. Suppose you send a telegram to a man, sent to his house, and whether he is found or not he has got to pay for it?

Mr. HOWATT. Yes, sir; I believe so.

Mr. CHAIRMAN. That is the regular rule in the telegraph?

Mr. HOWATT. Yes, sir.

The CHAIRMAN. That is, then, if you have to hunt a man up for half an hour, why shouldn't you pay for that, too?

Mr. HOWATT. They also provide for a messenger service charge under the proposed schedule, and a messenger charge has always been in effect to my knowledge.

The CHAIRMAN. Under the telephones?

Mr. HOWATT. Yes, sir.

Mr. WOODYARD. One thing, the cost of telephoning is greater than for the telegraph, the difference in cost sending a telegram 300 miles for 25 cents, as you say, if he don't find the other fellow. I suppose that is taken into consideration.

The CHAIRMAN. It just occurred to me I didn't see much difference in that. If you send a telegram and it is not delivered or efforts are made to deliver it, and there is a change of residence or anything of that sort, you have got to pay for it.

Mr. HOLLAND. The difference is you call up a man four or five times where you telegraph him once. I ask for Mr. Jones; he is out; I have to pay for it now; not under the old system.

The CHAIRMAN. Most men send telegrams any distance.

Mr. RAMSEYER. Mr. Howatt, this statement that was filed in connection with Mr. Putnam's testimony was prepared by you?

Mr. HOWATT. Yes, sir.

Mr. RAMSEYER. Was this statement prepared for this committee of Congress or some other proceeding going on in Minnesota for which it was prepared?

Mr. HOWATT. The statement was prepared at the specific request of the chairman of the Railroad and Warehouse Commission, and at the time the request was made I had no knowledge as to what it would be used for. I do know that the exhibits attached thereto were used in connection with complaints filed in the courts of the State in order to obtain restraining orders.

Mr. RAMSEYER. Do I understand proceedings have been instituted in the courts of Minnesota to restrain the Postmaster General in carrying out this order?

Mr. HOWATT. They have and I am informed that a temporary injunction has been granted.

Mr. RAMSEYER. State courts or Federal courts?

Mr. HOWATT. State court.

Mr. RAMSEYER. Against the Postmaster General?

Mr. HOWATT. The complaint was filed against the telephone companies.

Mr. RAMSEYER. That way. The Postmaster General is not a party to the suits, in Minnesota, as you understand it?

Mr. HOWATT. No, so far as I understand.

Mr. STEENERSON. The Postmaster General appeared in Minnesota by attorney, Mr. Braceland.

Mr. HOWATT. That is the only section I know about.

Mr. RAMSEYER. Do you say that all these exhibits attached to this statement are correct?

Mr. HOWATT. To the best of my knowledge and belief.

The CHAIRMAN. Just a restraining order? The suit has not been decided?

Mr. HOWATT. I am so informed.

Mr. STEENERSON. I believe you stated that the expense of finding a person, that is, the use of the wire while you are trying to make connection, Mr. Lamar mentioned in his remarks, that was included in the expense when the telephone rates were fixed, as a part of the overhead charges. Is that correct?

Mr. HOWATT. That is the usual custom, sir.

Mr. STEENERSON. Have you figures showing whether or not these rates proposed by the Postmaster General are so high that it would discourage the use of telephones, or do you know anything about that?

Mr. HOWATT. I have no method of making any such computations. However, I am perfectly satisfied that between such points as what I have termed one-minute rates are in effect that in many cases the rates as proposed will be to a certain extent prohibitive.

Mr. STEENERSON. From my town to St. Paul is 300 miles, and I understand from Mr. Madden's question a little while ago that the rate for 300 miles for one minute instead of being 60 cents is \$2.05.

Mr. MADDEN. 181 per cent increase.

The CHAIRMAN. Not that much.

Mr. STEENERSON. For 300 miles?

Mr. MADDEN. For 300 miles.

Mr. HOWATT. The one-minute rate now in effect in Minnesota for 300 miles is 90 cents. The proposed present person charge, minimum charge conversation for a distance of 300 miles, person to person conversation, would be \$2.40.

Mr. BEAKES. What is the station to station rate?

Mr. HOWATT. Station to station rate for a distance of 300 miles would be \$1.95.

Mr. STEENERSON. What is the next lowest distance charge, lower than 300 on your table there?

Mr. HOWATT. The station to station schedule next distance would be between 288 to 296 miles, \$1.90; for the person to person schedule the charge for the distance between 288 and 296 miles is \$2.35.

The CHAIRMAN. What proportion of the calls would run 200 to 300 miles?

Mr. HOWATT. I haven't any specific information on that point. The percentage would be somewhere in the neighborhood of 10 per cent.

Mr. RAMSEYER. The gentleman who preceded you, Mr. Cashman, stated that 40 per cent of the calls were one-minute calls. I believe he stated that you had the data on that. Could you give us anything definite on that? Have you statistics or figures on it? Can you tell us what per cent of the calls of telephone companies of Minnesota are one-minute calls, what per cent are two minutes, and what per cent are three minutes, and what per cent are more than three minutes?

Mr. HOWATT. I regret to say that I am forced to correct the statement of Mr. Cashman in that I did not furnish him with the information as to the number of calls or percentage of calls which are confined to one-minute conversations. I believe that he intended that statement to cover his own business and his own experience.

Mr. AYRES. I think that is what he said.

Mr. HOWATT. I have no definite information as to the percentage of calls which are confined to either one, two, or three minutes duration. I have asked the telephone companies some time ago for statistical information along these lines, but for some reason or other they have not so far seen fit to furnish it.

Mr. RAMSEYER. None of them on a single line?

Mr. HOWATT. No, sir.

Mr. RAMSEYER. Would you undertake to venture a guess on your own observation as to the percentage of one, two, and three minutes?

Mr. MADDEN. His guess wouldn't be any better than anybody else's.

Mr. RAMSEYER. He is an expert.

Mr. HOWATT. My guess wouldn't be any better than anybody else's except that I do know that a large number of the calls are between two and three minutes, that the initial period connected to any given and the fact that we have in effect in Minnesota large numbers of the so-called one-minute rates that will necessarily have a very large number of conversations completed within one minute.

Mr. RAMSEYER. That is about as definite as you care to make the statement?

Mr. HOWATT. I don't see how I could make it any more definite. I would be glad to do it.

Mr. LAMAR. I may state in that connection: Mr. Robinson, the president of your Tri-States, has made up some figures on this very proposition which I understand have been published or will be published in the next issue of some financial paper published at St. Paul. Copy of those figures were sent to me and he shows that the average rates, average time used in the Tri-States, is 2.41 minutes.

Mr. HOWATT. Mr. Robinson gave me that information as made from a study made in 1913.

Mr. LAMAR. I do not know what time the study was made.

Mr. RAMSEYER. How long have you had in effect in Minnesota one-minute schedule?

Mr. HOWATT. For a good many years. I am unable to say as to just when one-minute rates went into effect.

Mr. RAMSEYER. Do these one-minute rates apply to all companies or just to some, or are your rates named for all companies.

Mr. HOWATT. The Northwestern Telephone, a subsidiary of the Bell system, and the Tru-States Telephone & Telegraph Co. control the long-distance business of the State of Minnesota. For a great many years these companies were competitors in the toll business. These one-minute rates were established years ago by those companies between towns of considerable distance, for the purpose of developing business. They have accomplished their purpose, and where those one-minute rates are in effect there is a considerable volume of business to-day.

Mr. RAMSEYER. Then they are not universal over the State?

Mr. HOWATT. The schedule generally used is what the telephone companies call their standard schedule; it is based on an initial talking period of three minutes up to a distance of 22 miles and upon an initial talking period of two minutes for all distances above that.

Mr. RAMSEYER. But since your board has been created and the legislature has given you control over the telephones—what year was that?

Mr. HOWATT. 1915.

Mr. RAMSEYER. Haven't you adopted it uniformly for all the companies?

Mr. HOWATT. I should like to make some explanation of that, in order to answer your question.

Mr. RAMSEYER. Just answer my question, then. I want to know whether these rates and times are uniform over the State.

Mr. HOWATT. The law giving the railroad and warehouse commission jurisdiction over telephones was passed during the month of April, 1915, and became effective July 1, 1915. Between the dates of the passage of the bill and the date that the law became effective, the toll companies of Minnesota increased their toll rates throughout the State and placed into effect the rates which I am now discussing as the person rates. These rates were built up and prepared by the telephone companies and were greatly in excess of the rates in effect prior to that time, so much so that during the first year they increased revenue per message for business of the Northwestern within the State $3\frac{1}{2}$ cents per message. Those rates were deemed very much too high by the legislature of our State and they at our last session appropriated money and ordered the railroad and warehouse commission to make a valuation of toll properties of the toll

companies and go into a detailed investigation to determine the reasonableness of the rates at that time. For that reason no further adjustment of the rates has been made.

Mr. RAMSEYER. Then they are not uniform throughout the State?

Mr. HOWATT. Not absolutely uniform. There are in effect in Minnesota, approximately 2,789,000 of these two-minute rates which I mentioned, as compared with some 2,400 of the one-minute rates. I make that statement to give you a comparison. It amounts to a good deal in the volume of business.

Mr. BLACK. Just between a few points?

Mr. HOWATT. Very important points.

Mr. BLACK. How many million of the two-minute rates?

Mr. HOWATT. Approximately 2,789,000.

Mr. RAMSEYER. So, the Postmaster General's order has the virtue of making the rates uniform through the State, something you have not got now.

Mr. HOWATT. Our rates are practically uniform now, and any time that the two-minute rate is of any more benefit to the public than the one-minute rate that rate goes into effect between any two particular communities.

Mr. RAMSEYER. By whose authority did they go into effect?

Mr. HOWATT. The authority of the Railroad and Warehouse Commission, sir.

Mr. BLACK. On that point I wish to ask this question about that one-minute rate. Would it apply to distances as far as 300 miles? I would like to have that explained more. From your information there this one-minute rate applies only to a limited territory.

Mr. HOWATT. This one-minute rate is in effect between points of various distances through the State and is generally in effect between towns at a considerable distance. Take for instance, the distance from Minneapolis to Crookston, which Mr. Steenerson says is some 300 miles; I am sure it is much less than that by air line.

Mr. STEENERSON. By air line it is less.

Mr. HOWATT. And it is also in effect between a great many lines of a similar distance; also for short distances. Competitive conditions brought that rate into effect between certain towns of shorter distance.

Mr. BLACK. Are there many calls in addition to 300 miles of only one minute conversation? Is that rate used extensively for the distance of 300 miles?

Mr. HOWATT. I should say that wherever the rate is in effect there is a considerable volume of business.

Mr. RAMSEYER. It is not in effect between short distances.

Mr. HOWATT. In no distance under 40 miles is it in effect.

Mr. RAMSEYER. Where a man goes to the trouble of calling a man up on long-distance, he is going to talk strictly business, not social or anything of that kind.

Mr. HOWATT. My understanding is that when the one-minute rate was promulgated that it was to give the patrons the advantage of a low minimum charge and induce him to use the telephone, because if he would pay for his call basis on a longer initial period the minimum charge might be prohibitive. It was to induce business.

Mr. RAMSEYER. As a matter of fact, this commission of which you are a member hasn't promulgated any new rates since this law went

into effect July, 1915, but the rates in effect in Minnesota are the rates put into effect by the various telephone companies between March, when the law was passed, and July, when the law went into effect in 1915?

Mr. HOWATT. That is true.

Mr. MADDEN. The companies haven't been allowed to change the rates.

Mr. STEENERSON. They applied for an increase and had a hearing.

Mr. HOWATT. The company did apply for an increase in rates.

Mr. MADDEN. And were never allowed to increase them until the Government took control.

Mr. HOWATT. The application was denied.

Mr. STEENERSON. The hearing was in December?

Mr. HOWATT. The hearing was held in December, 1918. The order denying application was issued on December 31, 1918.

Mr. RAMSEYER. Have there been any applications by users of telephones since July, 1915, to reduce the rates?

Mr. HOWATT. Only in isolated cases and that was where they asked for a change from either the two-minute to one-minute initial period or from the one-minute to two-minute initial period. I should like to have it understood that the reasonableness of the rates now in effect are under investigation and it would be reasonable to assume that the commission would not order any new schedule of rates until they were definitely satisfied that the new schedule was necessary. It is necessary to make a valuation of the property, and that, I understand, is now being conducted.

Mr. RAMSEYER. Is the commission making an investigation in regard to changing the rates upon its own motion or on complaint from the patrons?

Mr. HOWATT. It is being done upon its own motion and upon the suggestion of the legislature of the State of Minnesota. I should say that the commission started this investigation upon its own motion because of having received a great many informal complaints with respect to these rates.

Mr. RAMSEYER. The people of the State of Minnesota—have they been quite generally satisfied with the telephone system of the State?

Mr. HOWATT. In what respect, sir?

Mr. RAMSEYER. As conducted by these private telephone companies.

Mr. HOWATT. Until recently I believe the telephone patrons were very well satisfied with the service. They have complained as to the rates for a number of years.

Mr. AYERS. They have or have not?

Mr. HOWATT. They have.

Mr. AYERS. As being too high or too low?

Mr. HOWATT. Too high.

Mr. STEENERSON. Toll rates?

Mr. HOWATT. As to toll rates, just as in many instances as to the local exchange rates.

The CHAIRMAN. Let Mr. Lamar ask a question or two and we will close the hearing.

Mr. LAMAR. Before asking this witness a question I will say that the basis of this new toll scheme has been considered very carefully by the rate-expert committee who have been at work for some time.

Mr. STEENERSON. Who is that committee?

Mr. LAMAR. Some five or six gentlemen. One or two members of the State commissions, and the rate expert of the Bell Telephone Co., and Mr. Lewis has been giving the question a good deal of study. I have had nothing to do with their deliberations and I do not assume to know the rate question intelligently at all, but I know something of the principle upon which they operated in figuring out this scheme of rates, and I think this is a good time to put that in the record.

Mr. STEENERSON. Could you tell us who were the representatives of the State Commission?

Mr. LAMAR. I think Mr. Simpson, of the Missouri commission, and possibly one of the Massachusetts commission are on this rate committee.

Mr. STEENERSON. You do not recall their names?

Mr. LAMAR. I do not recall their names.

Mr. STEENERSON. What is the name of the Bell Telephone man?

Mr. LAMAR. Mr. Thayer.

Mr. STEENERSON. And Mr. Lewis. Who else?

Mr. LAMAR. Mr. Barnard is the special rate expert.

Mr. STEENERSON. Is he a Bell man?

Mr. LAMAR. Yes.

Mr. STEENERSON. And Mr. Lewis.

Mr. LAMAR. I will put the names of the committee in the record so as to be accurate.¹

Mr. STEENERSON. That is all right. I only want their antecedents. There are three men connected with the Bell telephone companies?

Mr. LAMAR. No; there is only one man on the committee who has been with the Bell Telephone men. Mr. McVeagh, who was president of the Ohio State Telephone Co., is on that committee also.

The CHAIRMAN. Go ahead.

Mr. LAMAR. As I understand the matter, they are trying to adjust these toll rates on some scientific basis. I remember in the early discussion of this rate committee that there was a report that it took, I think, from 12 to 13 minutes from the time that a long distance call was put in before the two persons were brought together to talk. Now, in that period the whole plant between the two points is practically devoted to the service of the persons conversing. The time of the conversation, while it has heretofore been used as the basis for the charge, as a matter of fact, takes up a very small part of the time that is actually consumed by getting these two men together.

In that connection I would like to ask this witness what the value of the circuit would be on this 300 miles that Mr. Steenerson has just been talking about, copper wire circuit for 300 miles. I would like to know just what your idea would be as to the value of the plant devoted to the conversation between two people when a connection is made over that distance.

Mr. HOWATT. Do you mean the cost of the circuit?

Mr. LAMAR. The cost of the circuit. You are an expert on the commission.

Mr. HOWATT. I could give you a page full of answers to that question and it will be necessary to make a calculation.

Mr. LAMAR. Give us it roughly.

¹ Names of the committee not printed.

Mr. HOWATT. I should say that the cost of a direct current circuit would be very small as compared with the cost of a direct metallic circuit of No. 12 copper; that it would be very much smaller as compared with the cost of a direct metallic circuit of No. 8 copper; that it would be very small as compared with the cost of a built-up circuit between.

Mr. LAMAR. Just the average cost of the circuit now employed so as to get a general idea of what this order means to the country. Of course, we understand that there have been improvements in telephoning; that they are now using a smaller wire and have introduced many economies in the last few years that make the circuit cheaper than before. Take No. 8 wire, a small wire.

Mr. HOWATT. No. 8 is a large wire; it is little used now.

Mr. LAMAR. No. 12 wire, I mean.

Mr. HOWATT. No. 12 wire has varied in cost from 13 cents to 34 cents a pound, and that size wire weighs about 172 pounds to the mile. I am not prepared to make a computation. Those are the factors that will enter into it.

Mr. LAMAR. There will be several thousand dollars of plant employed in getting these two people together.

Mr. MADDEN. Not to get two people together; to get the whole business together.

Mr. LAMAR. To get the two people together for this period. They are occupying the entire plant during this conversation.

Mr. STEENERSON. Is it your idea that they ought to charge for the 12 minutes in order to charge for the time they talk?

The CHAIRMAN. Let him ask.

Mr. LAMAR. If you have any idea as to whether that statement made by one of the experts of the Bell Telephone Co. that it took between 12 and 13 minutes average length of time to get long distance connection through to get two people talking. Have you any information as to whether that is correct?

Mr. HOWATT. I would have to know whether or not he is basing his calculations upon what is ordinarily termed the long-line business of the American Telephone & Telegraph Co., or whether he considers a local business in what I call short-wire business in connection with long-haul business that might be confined in the State with some other business. It is possible that for the long-line business of the American Bell Telephone companies, the figures you give are probably correct.

Mr. LAMAR. Probably correct?

Mr. HOWATT. That has no direct relation with the total amount of business that might be confined within a given area, for instance.

Mr. LAMAR. I am talking about the plant now employed in enabling two people to talk with each other and the time that plant is monopolized by these two people during the period from the time the call is put in until the conversation is completed.

The CHAIRMAN. You mean the value of the use of that property during that period?

Mr. LAMAR. The value of the use of that extensive plant at that time.

Mr. STEENERSON. According to that you couldn't have but five telephone calls in an hour.

The CHAIRMAN. Let the witness tell that.

Mr. LAMAR. So much the more expensive. Now, if it takes an average of 12 minutes to establish an connection between these two parties, so far as the cost to the telephone company or cost of operating the property, it is not very significant whether they talk one minute or two minutes; it is?

Mr. HOWATT. It is very significant because the factor which you attempt to enter into this discussion is only one of the factors which go into making up of the rate schedule.

Mr. LAMAR. I am not prepared to discuss all of the factors entering into this rate schedule, but we will have the expert here to advise the committee on that. I simply want to develop from this witness whether he thinks that it is proper to consider in fixing the charge against an individual using the telephone the time or any proportion of the time that the entire plant is occupied before the conversation begins.

Mr. HOWATT. I think that is a part of the charge or one of the factors that enters into the cost of furnishing telephone service, and I personally believe that it should be an overhead charge.

Mr. LAMAR. If it is overhead charge, service would have to pay for it in one way or the other; on the one minute or two minute or three minute.

Mr. MADDEN. The individual would not have to pay it.

Mr. LAMAR. As to this one minute basis, do you know of any other State in the Union where they have this one minute rate?

Mr. HOWATT. I do not.

Mr. LAMAR. And this peculiar case out in Minnesota grew up as a competitive outcome of two systems operating?

Mr. HOWATT. I wouldn't say it is necessarily the outgrowth of a competitive system. As I previously stated, that rate was installed for the purpose of developing a business and were based on concrete knowledge. It has served its purpose.

Mr. MADDEN. As a matter of fact, do you know that there are any such rates?

Mr. LAMAR. That is the only case I know of. There may be other cases.

Mr. MADDEN. I think I recall very frequently being charged for one minute conversation on the telephone.

Mr. HOWATT. I think if I may be permitted to make a statement, regardless of whether one minute rates may be in effect in other States, the reasonableness of the rate schedules now in effect in Minnesota are now in question and investigation is being made to determine their reasonableness. The telephone companies got along a great many years and received favorable returns upon their old schedules. They made those schedules and put them into effect.

Mr. LAMAR. Under different conditions than those now prevailing as far as cost of operation and labor and material is concerned.

Mr. HOWATT. The reasonableness of those schedules is now being investigated.

Mr. LAMAR. Would you think that if this system that this rate-committee has worked out and which the Postmaster General has accepted as a scientific readjustment and standardization of toll rates works well throughout the country, except over those particular

distances between those cities in Minnesota where you have the one-minute rate, that the entire system should be done away with because it interferes with your one-minute special up there?

Mr. HOWATT. Am I to understand by your question, whether or not I am in favor of the complete standardization of rates throughout the country?

Mr. LAMAR. No; that is not the question. Concede for the purpose of the Government that the standardization is all right, do you think that it ought to be abandoned because it interferes with the peculiar situation that happens to exist out there between certain cities in Minnesota?

Mr. HOWATT. I think it ought to be interfered with in any case.

Mr. LAMAR. Should a national system not be adopted simply because you have that peculiar situation in Minnesota?

Mr. HOWATT. Yes.

Mr. LAMAR. That is all.

Mr. STEENERSON. I would like to ask you one question here.

The CHAIRMAN. Ask him.

Mr. STEENERSON. The attorney for the department referred to 12 minutes that the American Telephone & Telegraph Co. stated it was occupied in making the connections.

Mr. LAMAR. I won't give that as the department figure, but it was a large amount, and my recollection is between 12 and 13 minutes.

Mr. STEENERSON. Do you know whether or not the American Telephone & Telegraph Co. operates long distance or short distance?

Mr. HOWATT. To the best of my knowledge, a great percentage of their business is over their own lines, or over lines owned and operated by the American Bell Telephone Co.—it is the American Telephone & Telegraph Co.—a great majority of that business is for very long distances.

Mr. STEENERSON. Hundreds of miles?

Mr. LAMAR. Entirely for long distances.

Mr. STEENERSON. It is entirely long distance business; and is there any addition in the time consumed in making the connection for the long distance, 1,000 miles to 2,000 miles, as the shorter distance?

Mr. HOWATT. As to the telephone service rendered to-day, I should say that generally a longer time is consumed in putting up a connection between two individuals at the greater distance than the short distance.

Mr. LAMAR. The longer the distance the more plant and more money invested and more return is to be expected on the investment during the period that the conservation requires or time in making a connection before the conversation.

Mr. HOWATT. That might be true. But the telephone people advise us that 50 per cent of the telephone business, not considering the long-lines business to which we have referred, is within the distance of about 35 miles.

The CHAIRMAN. Who will we hear next?

Mr. MADDEN. I think we ought to adjourn.

The CHAIRMAN. Very well; before we adjourn, who do you want next to-morrow?

Mr. BLACK. What about Mr. Carleton? Let us adjourn until 10.30.

Mr. RAMSEYER. When are we going to hear the Postmaster General and the other members of the wire committee?

The CHAIRMAN. We can have them here whenever you want them. I would like to know how many gentlemen want to be heard.

If there is nothing further, we will now adjourn until 10.30 in the morning.

(Thereupon, at 5.15 o'clock p. m., the committee adjourned until Thursday, January 23, 1919, at 10.30 o'clock a. m.)

MR. BURLISON'S STATEMENT.

The association of Government operation of the wire service in the transmission of intelligence with the general policy of Government ownership is entirely without warrant.

Between Government ownership of railroads, coal mines, stockyards and other public utilities which invite private enterprise, and the operation of the wire service by the Government there is absolutely no parallel.

The association of these two propositions by those who oppose the policy of Government ownership serves only to strengthen the position of public ownership advocates.

If the wisdom and propriety of Government ownership of railroads, coal mines, and stockyards is to be determined by the reasons which support the ownership by the Government of the telegraph and telephone systems the way is made clear for the advocates of public ownership.

Only by the recognition and frank acknowledgment of the radical difference between the performance by the Government of a Government function, which is involved in the control of the wire systems, and the performance by the Government of services which do not fall within Government function can the opponents of the general policy of Government ownership strengthen their position.

The transmission of intelligence is a Government function provided for in the Constitution, and exercised as a monopoly through the Postal Service. The telegraph and telephone systems are susceptible of no other employment than that of transmitting intelligence—which is a Government function. The railroads, though employed by the Government in the carrying of mail, are not used exclusively, as are the wires, for the communication of intelligence. They carry freight, express and passengers, which is not a function of the Government. The same is true of the stage coach; and coal mines, stockyards, and other private enterprises of public utility are not operated in the performance of any Government function recognized in the Constitution.

The argument in support of Government operation of the wire systems rests upon a single point—that of communicating intelligence for the convenience of the public and general national welfare—a service which the Constitution imposed upon the Federal Government as essential to the Nation's life, progress, unity, and security.

This argument and the obvious policy upon which it rests do not in any way apply to the railroads or to any other public utility.

For the Government to refuse to perform the legitimate function of operating the transmission of intelligence by wire, and to associate this service with services of a strictly private character, or which at best derive their public character from extended and general use by the public, is to invite the grouping of all these utilities and the adoption of a general policy of Government ownership; because the warrant for Government-owned wires is perfect and the argument in favor of it obvious and unanswerable.

The acceptance of Government ownership and operation of electrical communication as a Government function, segregating it completely, would be the strongest possible answer to the common charge that Government ownership of public utilities is opposed only in the interest of private capital.

Ownership of the wire systems can be supported because it is for the performance of a purely governmental service.

Government ownership of any other public utility may consistently be opposed on the ground that it does not come within the province of government.

The opposition to a general policy of Government ownership is weakened if shown to be so lacking in discrimination and so prejudiced of purpose as to deny to the Government facilities for the performance of a public service which is one of its constitutional functions.

[Telegram.]

SAN ANGELO, TEX., *January 21, 1919.*

Hon. Jno. A. Moon,

Chairman House Committee, Washington, D. C.

My judgment is that wire systems should remain under Federal control till August 1, 1919, and possibly August 1, 1920, but no longer.

JOHN Y. RUST,

President San Angelo Telephone Co.

[Telegram.]

ANGOLA, IND., *January 20, 1919.*

JOHN A. MOON,

Chairman Committee on the Post Office and Post Roads, Washington, D. C.

This company favors Government purchase of telephones; otherwise immediate return.

HOME TELEPHONE CO.

H. E. WILDER, *Secretary.*

[Telegram.]

ELYRIA, OHIO, *January 20, 1919.*

Hon. Jno. A. Moon,

Chairman House Committee on the Post Office and Post Roads,

Washington, D. C.

Earnestly request that definite date be fixed for turning over telephone lines as early as is consistent Government convenience and public interest.

P. H. WILLIAMS,

Editor Evening Telegram.

[Telegram.]

MANGUM, OKLA., *January 23, 1919.*

JOHN A. MOON,

Chairman House Committee on the Post Office and Post Roads,

Washington, D. C.

SIR: The universal desire of the independent telephone people and their subscribers in Oklahoma is for the prompt and speedy return of their property.

MANGUM TELEPHONE CO.

A. GORDON, *President.*

[Telegram.]

DELAWARE, OHIO, *January 22, 1919.*

Hon. JOHN A. MOON,

Chairman House Committee on the Post Office and Post Roads,

Washington, D. C.

Our organization favors immediate return of telephone properties and are opposed to Government retention.

DELAWARE COMMERCIAL CLUB,

F. M. BAUERIS, *President.*

[Telegram.]

ASHLAND, KANS., *January 23, 1919.*

Jno. A. Moon,

Washington.

As one of the smaller independent telephone men, I want to protest against indefinite Government control of telephone. Should either return them at once or take them over and pay us for them, as present condition is very unsatisfactory to owners of plants.

J. E. STEPHENS.

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[Telegram.]

PORTAGE, WIS., January 20, 1919.

HON. JOHN A. MOON,

*Chairman House Committee on the Post Office and Post Roads,
Washington, D. C.*

No aid has been rendered this district by the Post Office Department in its administration of telephone properties. The public object to the unnecessary rates and regulations imposed by the administration which protect big operators at expense of small operators. Immediate return of our telephone property is requested.

PORTAGE TELEPHONE CO.

[Telegram.]

BIG SPRINGS, TEX., January 22, 1919.

CHAIRMAN HOUSE COMMITTEE ON THE POST OFFICE AND POST ROADS,
Washington, D. C.

We note statement from Washington that the independent telephone companies do not want return of property. This is wrong impression. We and our people desire an immediate return of properties so we can furnish them a service satisfactory to their needs, which we can not do under regulation as it is at present. The undersigned companies cover one-sixth of Texas.

THE WESTERN TELEPHONE CO.
THE MIDLAND TELEPHONE CO.
THE SEMINOLE TELEPHONE CO.

[Telegram.]

ROCHELLE, ILL., January 20, 1919.

JNO. A. MOON,

Chairman House Committee on the Post Office and Post Roads.

We favor immediate return of telephone properties to owners.

ROCK RIVER TELEPHONE CO.,
G. W. HAMLIN, President.

[Telegram.]

MITCHELL, IND., January 20, 1919.

Congressman MOON,

Washington, D. C.

You should turn telephone properties back to private ownership at once.

M. M. LANDETH,
Secretary and treasurer Mitchell Telephone Co.

[Telegram.]

BELLEVUE, OHIO, January 20, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.

At stockholders' meeting to-day it was unanimous decision of the stockholders that the Moon resolution to continue Government control of telephone properties should be defeated and that the telephone properties be returned to their owners without unnecessary delay.

FRANK A. KNAPP,
President Local Telephone Co.

[Telegram.]

MURPHYSBORO, ILL., January 20, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.

The Jackson County Telephone Co. requests the return of their property at the earliest possible time.

I. W. DEASON,
President.
J. J. PEIRSON,
Secretary.

[Telegram.]

BOWLING GREEN, OHIO, January 20, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.

We want to enter our protest against the Moon resolution to continue Government control of telephone properties, and wish to ask that their properties be returned to their owners without unnecessary delay.

THE WOOD COUNTY TELEPHONE CO.,

By ROBERT PLACE, *President*.

[Telegram.]

BELLEVUE, OHIO, January 20, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.

We want to enter our protest against the Moon resolution to continue Government control of telephone properties and wish to ask that these properties be returned to their owners without unnecessary delay.

THE BELLEVUE HOME TELEPHONE CO.,

C. W. BELL, *Vice President*.

[Telegram.]

GALION, OHIO, January 20, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.

DEAR SENATOR: We hereby wish to enter our most sincere protest against the Moon resolution to extend time of Government taking over the telephone companies and respectfully request that telephone companies be turned to original owners without unnecessary delay.

Very respectfully.

THE GALION TELEPHONE CO.,

Per J. L. GUGLER.

[Telegram.]

MONMOUTH, ILL., January 21, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.

The stockholders and directors of this company are exceedingly anxious that their property be returned to them at the earliest date.

ROSEVILLE TELEPHONE CO.,

WALTER WAUGH, *Secretary*.

[Telegram.]

COLUMBUS, OHIO, January 21, 1919.

JOHN A. MOON,

Chairman House Committee on Post Office, Washington, D. C.

We favor immediate return of telephone plants to private ownership.

THE BLACKBURN TEA CO.,

Lorain, Ohio.

[Telegram.]

MURPHYSBORO, ILL., January 20, 1919.

Hon. JOHN A. MOON,

Chairman House Committee Post Office and Post Roads,

Washington, D. C.

The Murphysboro Telephone Co. request the return of their properties soon as it can consistently be done.

A. B. MINTON,

President.

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[Telegram.]

DIXON, ILL., January 20, 1919.

JOHN A. MOON,
Washington, D. C.

We favor immediate return to us of our telephone property.

W. C. DURKES,
Chairman Executive Committee Dixon Home Telephone Co.

[Telegram.]

MONMOUTH, ILL., January 20, 1919.

JOHN A. MOON,
Washington, D. C.

The stockholders and directors of the company are exceedingly anxious that their property be returned to them at the earliest date.

MONMOUTH TELEPHONE Co.,
F. A. NORRIS, Secretary-Manager.

[Telegram.]

FREEPORT, ILL., January 20, 1919.

Mr. JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads,
Washington, D. C.

Stephenson County Telephone Co., of Freeport, Ill., desires to be recorded before your committee in favor of the immediate return of its properties to the owner.

D. C. L. MEASE, President.

[Telegram.]

STRONGHURST, ILL., January 20, 1919.

JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads,
Washington, D. C.

Information received here to-day that the United States Telegraph and Telephone Administration has or has been given the impression that all independent telephone companies favor surrendering their property. However, this is erroneous, and we beg to say we are opposed to the plan and ask for the privilege of operating as in the past.

STRONGHURST TELEPHONE Co.
LAHARPE TELEPHONE Co.
MACOMB TELEPHONE Co.
LOMAX TELEPHONE Co.
RARITAN TELEPHONE Co.

[Telegram.]

BIGGSVILLE, ILL., January 21, 1919.

Hon. JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads, Washington, D. C.

Please count me opposed to purchase of telephone property by General Government. Serve 1,800 people from 300 party stations. Supervision by State commission should guarantee all rights of patrons.

H. W. STEWART,
Proprietor of Telephone Exchange, Kirkwood, Ill.

[Telegram.]

HUNTINGTONBURG, IND., January 20, 1919.

Hon. JOHN A. MOON,
Member of Congress, Washington, D. C.

Not in favor of Government ownership of telephone.

DUBOIS COUNTY TELEPHONE Co.

[Telegram.]

WARREN, OHIO, January 20, 1919.

JOHN A. MOON,
Chairman House Committee on the Post Office and Post Roads,
Washington, D. C.

We favor the immediate return of our property and are opposed to the Government retaining the plans.

THE WARREN & NILES TEL. CO.

[Telegram.]

GALVA, ILL., January 20, 1919.

Hon. J. A. MOON,
Chairman House Committee on the Post Office and Post Roads,
Washington, D. C.

DEAR SIR: We, the undersigned, wish to emphasize the fact that it is the sentiment of the stockholders and subscribers of our telephone companies favoring their immediate return to private control; that it is for the best interests of all concerned.

Very respectfully,

R. P. DEXTER,
Secretary Galva Telephone Co., Galva, Ill.
J. A. PRICE,
Manager Stark County Telephone Co., Toulon, Ill.
S. A. BROWN,
Manager Altona Mutual Telephone Co., Altona, Ill.
MANAGER CAMBRIDGE MUTUAL TELEPHONE CO.,
Cambridge, Ill.

[Telegram.]

JAYNESVILLE, WIS., January 20, 1919.

J. A. MOON,
Chairman House Committee on the Post Office and Post Roads,
Washington, D. C.

This company is opposed to Government ownership of telephone lines and favor immediate return of its property.

F. H. HOWE,
President Rock County Telephone Co.

[Telegram.]

ELYRIA, OHIO, January 19, 1919.

Hon. JOHN A. MOON,
Chairman House Committee on the post office and post roads,
Washington, D. C.

The Elyria Telephone Co. requests the return of their properties with expediency.

A. J. CURREN, *President.*

[Telegram.]

ELMORE, OHIO, January 19, 1919.

JOHN A. MOON,
Chairman House Committee on the post office and post roads,
Washington, D. C.

Enter us as opposed to resolution extending time of control of telephone lines.

NEW OTTAWA COUNTY TELEPHONE CO..

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[Telegram.]

JACKSONVILLE, FLA., January 21, 1919.

JOHN A. MOON,
Chairman House Committee on the post office and post roads,
Washington, D. C.

War over. Would like our property turned back to us. We are opposed to Government ownership.

ILLINOIS TELEPHONE CO.,
By W. W. HOLLIDAY,
President and General Manager.

[Telegram.]

CIRCLEVILLE, OHIO, January 20, 1919.

JOHN A. MOON,
Chairman House Committee on the post office and post roads,
Washington, D. C.

The voice of Independent Telephone people in Ohio is for immediate return of their properties. The people generally opposed to Government ownership.

H. P. FOLSOM,
Secretary Independent Telephone Association of Ohio.

[Telegram.]

COLUMBUS, OHIO, January 21, 1919.

JOHN A. MOON,
Chairman House Committee on the post office and post roads,
Washington, D. C.

Conditions under which and reasons for taking over telephones by Government no longer exist, and we are strongly opposed to further retention by Government of telephone properties. Present conditions urgently demand their immediate return to their respective owners, and we not only favor this immediate return but ask that immediate return be made thereof.

MARION COUNTY TELEPHONE CO.,
By F. E. GUTHERY, *President.*

[Telegram.]

BELLEFONTAINE, OHIO, January 20, 1919.

HON. JOHN A. MOON,
Chairman House Committee on the Post Office and
Post Roads, Washington, D. C.:

The United Telephone Co. is the largest independent rural operating phone company in Ohio. Our stockholders, of which there are nearly 400, are unanimous in opposition to the Government retaining their property, and they ask that it be returned immediately.

UNITED TELEPHONE CO.
D. E. STRAYER, *President.*
JOSEPH F. DIENER, *Manager.*

[Telegram.]

TROY, OHIO, January 21, 1919.

JOHN A. MOON,
Chairman House Committee on the Post Office and
Post Roads, Washington, D. C.:

We are opposed to the Government retaining control of telephone properties, and urge immediate return of same to their owners.

TROY TELEPHONE CO.

[Telegram.]

MACOMB, ILL., January 21, 1919.

JOHN A. MOON,
Chairman House Committee on the Post Office and
Post Roads, Washington, D. C.:
We favor the immediate return of telephone property to their owners.

MACOMB TELEPHONE CO.
EL. S. SUSHER, General Manager.

[Telegram.]

ELYRIA, OHIO, January 20, 1919.

HON. JOHN A. MOON,
Washington, D. C.:

Request that telephone properties be returned to owners at earliest date possible.

STROUP & FAUVER.

[Telegram.]

DELAWARE, OHIO, January 21, 1919.

JOHN A. MOON,
Chairman House Committee on the Post Office and
Post Roads, Washington, D. C.:

We are in favor of immediate return of our property, and are opposed to the Government retaining them.

CITIZENS TELEPHONE CO.
W. M. HESKELTINE, Director.

[Telegram.]

HASKELL, TEX., January 21, 1919.

HON. J. A. MOON,
Chairman House Committee on the Post Office and Post Roads,
Washington, D. C.

We favor immediate return of telephones to private ownership and think same should be done at once.

HASKELL TELEPHONE CO.,
A. J. COOMBS, Manager.

[Telegram.]

HOLLAND, IND., January 20.

J. A. MOON, M. C.,
Washington, D. C.

We are opposed to Government ownership of telephone.

HOLLAND TELEPHONE CO.

[Telegram.]

MITCHELL, IND., January 20, 1919.

Congressman MOON,
Washington, D. C.

Insist on telephone properties turned back to private ownership in next few weeks.

SISOM,
General Manager Mitchell Telephone Co.

[Telegram.]

BIGGSVILLE, ILL., January 20.

HON. JOHN A. MOON,
Chairman Committee on the Post Office and Post Roads,
Washington, D. C.

The owners of the Farmers' Telephone Exchange, at Biggsville, Ill., serving 890 stations and 2,000 people, urge you to return the property at the close of the war. Willing to submit to regulations.

CHAS. A. KNUSTROM, Manager.

AMERICAN TELEPHONE & TELEGRAPH Co.,
NEW YORK, January 18, 1919.

Hon. JOHN A. MOON,

*Chairman Committee on the Post Office and Post Roads,
Washington, D. C.*

My DEAR SIR: The Postmaster General asked me if I could be present at the hearing on Tuesday, thinking perhaps you would like to call upon me. Although I had a very important engagement in Boston on that date, I thought I could and said I would postpone it. I find out it is impossible, as it involves too much disturbance, and under the impression that it was more or less uncertain about my being called by you, asked the Postmaster General to arrange a cancellation of my commitment to be in Washington.

The Postmaster General then requested me to write to you.

In respect to the bill before you, I do not know that I can add to what was contained in my previous letter.

I do, however, wish to emphasize the fact that it is of the utmost importance to all interests, public and private, that some effective solution of the wire problems be made, and further, that I believe it can be made on acceptable lines, such as will be welcomed by the public.

There has been such a change in the "state of the art" and in the general public interests dependent upon these utilities, as well as in the conditions upon which they are dependent, that it seems to be an imperative obligation to make the effort, and that such an effort should be made now before they are turned back.

While the larger properties have been able and will be able to continue in the future as in the past, if necessary, yet the economic laws, which neither legislature nor public opinion can change, make it inevitable that there is nothing but deterioration and final complete loss ahead of many of the smaller properties, unless something is done which will make it possible to utilize such properties before depreciation and obsolescence have done their work.

Effective action will not only save large amounts of existing property by enabling it to be properly utilized, but it will save a much larger amount of new capital investment in the near future by utilizing all existing plant to its utmost.

It will immediately make some and in time make all of those economies possible which the advocates of unification have promised. What is of more importance, in my estimation, however, is that it will enable many useful services to be put at the public use, which will be worth more than the economies promised.

Reduction of rates on any wholesale plan can not be expected, because of the great increase in expenses not provided for by any corresponding increase in revenue, which in itself constitutes a reduction of at least one-half in pre-war prices.

If it is your desire, I could be in Washington any time after Thursday.

Respectfully, yours,

THEO. N. VAIL, *President.*

NATIONAL LEAGUE OF COMMISSION MERCHANTS OF THE UNITED STATES.

New York City, January 18, 1919.

Hon. JOHN A. MOON,

Chairman House Committee on Post Offices, Washington, D. C.

DEAR SIR: At the twenty-seventh annual convention of the National League of Commission Merchants of the United States, held in the city of Boston, January 7-10, it was unanimously voted that the National League of Commission Merchants of the United States go on record as being opposed to Government ownership of telephone, telegraph, and cable lines; that the league file its protest and declare itself in favor of return to private ownership and operation as soon as practicable.

Therefore, in accordance with instructions, I am conveying this information to you at this time.

Very truly, yours,

R. S. FRENCH,
General Manager and Secretary.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., January 22, 1919.

Hon. JOHN A. MOON,
Chairman of Post Office and Post Roads Committee, Washington, D. C.

DEAR SIR: Please find inclosed a copy of a letter received.

Mr. W. H. Hurley, a prominent business man in my home city, protests against the drastic increase in long-distance telephone calls that became effective January 21, 1919.

I ask your careful consideration of this letter.

Very truly, yours,

C. C. DICKINSON.

CLINTON, Mo., January 18, 1919.

Hon. C. C. DICKINSON,
Representative in Congress, Washington, D. C.

DEAR MR. DICKINSON: No doubt your attention has been called to the drastic increase in long-distance telephone calls that becomes effective January 21, 1919, which increase has been ordered by Postmaster General Burleson. The unfairness of the increase lies particularly in the fact that if I desired to call a particular person at a particular telephone number in Kansas City or Chicago or any other city, and that person was not in the office at the time, I would be required to pay for the call the same as though he were present; or, as an alternative, in addition to the 50 per cent increase of former rates, pay another 20 per cent additional price on the increased rates to talk to my particular party. I feel that this drastic advance in rates is unreasonable and unwarranted, and while, personally, I would be willing to pay an increase of former rates to care for the additional cost of doing business, at the present time I am not in favor of the present rates. Will you not exert your influence to the end that pressure be brought on Postmaster General Burleson so that the new rates be suspended and that "person-to-person" rate be placed on basis as the "station-to-station" cost.

Thanking you for a statement from you covering your views on the subject, I am,

Very sincerely, yours,

W. H. HURLEY.

KELLOGG SWITCHBOARD & SUPPLY Co.,
Chicago, January 20, 1919.

Hon. J. A. MOON,
Post Office Committee, Washington, D. C.

DEAR SIR: We write, appreciating that you are fully conversant with conditions in the operating field, and to call your attention to the situation as affects the manufacturers.

Inclosed herewith please find copy of my letter of December 6, 1918, to Hon. A. S. Burleson. Since writing this letter an operating board has been appointed by the Postmaster General, who, we think, are doing all they possibly can under the circumstances, to improve conditions in the industry.

Our lack of orders is embarrassing. All of our Government contracts have been canceled, and we are now employing about 1,300 men, against some 2,300 men prior to our entrance into the war, and unless the telephone business materially improves in the near future, we not only can not take care of this number, but it will be absolutely impossible for us to take care of 242 employees of ours whom we expect to return as demobilization progresses.

It seems imperative to us that some action on the part of Congress be taken at once, that will remove the uncertainties now existing in the industry, establishing some fixed date for the termination of Government control. All parties could then provide for possibilities, which the public will soon demand.

Yours, very truly,

J. B. EDWARDS, *President.*

DECEMBER 6, 1918.

Hon. A. S. BURLISON,
Postmaster General, Washington, D. C.

DEAR SIR: The Kellogg Switchboard & Supply Co. is the largest independent manufacturer of telephone apparatus. Before the war and during normal times in the telephone business, we employed some 2,300 employees, and did a gross business of about \$5,000,000 annually.

During the war and after the telephone lines were taken over by the Government, our normal business almost ceased entirely, and we manufactured telephone and aeroplane apparatus for the United States Signal Corps and the allies. This work amounted to about 80 per cent of our production.

A large part of this war business has been canceled, reducing our employees to about 1,600 at present, and if the balance is not canceled, it will be completed not later than February, 1919, further reducing our employees to probably 600 people, or not enough to continue in this special and highly technical electrical line and keep our organization together.

I have recently interviewed representatives of several of the large independent operating companies, who always have been our customers in normal times, as to the prospects for an early return to normal conditions in the telephone business. Without exception, these telephone interests advised me that they did not know what the future held in store, and that they could give me no assurance of any telephone business in the future that would enable me to keep the Kellogg Co. organization together.

The Bell-owned factory, the Western Electric Co., is in no such position as the independent manufacturers. They are favored with the American Telephone & Telegraph Co. business without competition, which business amounts to a great deal more than one-half of the total of the United States, and also as a result of severe past competition, share largely in the outside non-Bell business. (See record of Federal Trade Commission investigation.)

The Western Electric Co., although the largest telephone factory, is a small item when considered as a part of the vast Bell organization, and that organization, as a whole, will support if necessary, and keep together the factory organization, out of the general funds of the system.

If the Government permits the independent factories to suffer severely, while the Western is protected by its closed Bell business and its Bell relationship, it is clear that Government control will have resulted in unfairly improving the competitive position of one telephone factory at the expense of all the others, and at the ruin of perhaps some of them.

I will only mention America's predominance as the world's source of advance in technical telephony, incontestably founded upon competitive manufacturing, as a base upon which a sound public policy for their preservation in the present crisis, rests.

I write you this letter because we are worried over the situation, and because I have sought in vain for an answer elsewhere.

You will appreciate that it is necessary to anticipate the future far enough ahead to provide work for our organization and it is for this reason that I request information from you upon the situation.

Respectfully yours,

President.

ATHENS COUNTY INDEPENDENT TELEPHONE SYSTEM.

Athens, Ohio, January 20, 1919.

JOHN A. MOON, M. C.,
Washington, D. C.

DEAR SIR: We are very anxious to see a return of our telephone properties to our own local management after having been 18 years developing them.

Government ownership must either improve the service or cheapen the price if it meets with public approval. Conditions are absolutely wrong to accomplish either at present, so there is no chance for its success.

We are asking for a deferment of your proposition for even a retention of them for a period of three years. We prefer to have them back when peace is declared.

Very truly,

C. L. JONES, General Manager.

MEMORANDUM FOR JUDGE LAMAR.

Am returning herewith your file 53347 re Postal Telegraph System.

The aggregate net earnings for four years, as shown by their questionnaire, are \$14,303,417.07, an average of \$3,575,854.27 per year. The only figures available from reports filed by the individual companies with the Interstate Commerce Commission are for the years ended December 31, 1916, and 1917. All the companies have filed reports for these years with the exception of Mackay Telegraph & Cable Co. (Arkansas) for the year 1917, and we have therefore used 1916 figures as reported by this company, in our computations for 1917. The aggregate net earnings shown from the tabulation of these reports is \$641,948, an average per year of \$320,974. There is a large difference between these amounts which should be accounted for by the Postal Co.

The returns purport to represent the same companies with the following exceptions: The Postal report includes the Boston District Messenger Co. and excludes the North American Telegraph Co., while the I. C. C. statement excludes the first-named company and includes the latter.

For convenient comparison, I have had the figures for the years 1916 and 1917 as reported on the questionnaire filed by the postal companies, inserted in columns (a) and (b) on the attached questionnaire form while the returns for these years, as compiled from Interstate Commerce Commission records are shown in columns (c) and (d). I have also had comparative figures entered in the answers to question (d) on the questionnaire.

While the form is self-explanatory, yet it seems desirable to call specific attention to the following features: The postal companies' returns for operating revenues are perceptibly higher, and their returns for operating expenses perceptibly lower, than computations made from Interstate Commerce Commission reports. The net operating revenues and net income as returned by the postal companies show an increase 1917 over 1916, while computations made from Interstate Commerce Commission records show a decrease in each item. Interest on funded debt is reported by the postal companies as \$800,000 while in reports filed with the Interstate Commerce Commission they show only \$26,000. It is stated in the questionnaire that the profits left with the subsidiary companies were not used for dividends, indicating that no dividends were declared by these companies, while returns to the Interstate Commerce Commission show \$60,000. The postal companies show over \$500,000 expended for property during each of the years 1916 and 1917 while in reports to the Interstate Commerce Commission practically nothing is shown. In respect to depreciation it is stated that depreciation is taken care of under the title of "General repairs," which statement is not entirely clear. The I. C. C. tabulations, however, show more than \$2,000,000 depreciation for each of the years 1916 and 1917.

There is a considerable disparity in the returns in answer to question (d) wherein they state that the "Total investment in plant and equipment" is not known, while the I. C. C. tabulations show \$7,619,416. The respondent's capital stock and funded debt are shown respectively as \$93,023,935 and \$20,000,000, while the I. C. C. tabulations show, respectively, \$2,733,535 and \$750,000. There is also a difference in the number of offices, miles of pole line, and miles of wire.

As a general statement I would advise, judging from the correspondence you have had, together with copies of reports made by employees of the commission, etc., that a set of books are kept by the Mackay companies which are entirely separate and distinct from those kept by the individual companies, and in order to get a comparison with the I. C. C. figures it would seem necessary that the postal people file individual questionnaires for each of their various companies, or at least be required to analyze their returns by individual companies. This would also seem desirable to enable the Post Office Department to determine whether all the companies are to be taken over under the Congressional resolution. I say this primarily in view of the fact that their return includes the Boston District Messenger Co., a report for which is not filed with the Interstate Commerce Commission, in view of which it is thought that it may be found that this company does neither a telegraph nor a telephone business.

It is evident from returns in the annual reports to the Interstate Commerce Commission that expenditures for plant and equipment are not charged to the capital accounts of these companies, neither is it clear to what account or accounts these companies do charge such expenditures. If such amounts are charged to operating expenses it would tend to decrease both the property account and the net revenues. This would possibly result in decreased taxes both on property values and net income and is a violation of the instructions

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contained in the uniform system of accounts for telegraph and cable companies as prescribed by the Interstate Commerce Commission.

Taking the returns on the whole, it would seem desirable that a careful scrutiny be given the entire matter before definite action is taken.

M. T. MAY.

POST OFFICE DEPARTMENT, OFFICE OF THE POSTMASTER GENERAL.

Telegraph questionnaire No. BC1—Basis of compensation.

Item.	As reported on questionnaire filed by postal system.		As compiled from Interstate Commerce Commission reports.	
	1916	1917	1916	1917
Telegraph operating revenues.....	\$13,644,987.04	\$14,907,096.92	\$12,454,434.00	\$13,225,634.00
Telegraph operating expenses.....	9,543,972.31	10,401,876.29	11,766,492.00	12,748,489.00
Net telegraph operating revenues.....	4,101,014.73	4,505,220.63	687,942.00	477,145.00
Uncollectible operating revenues.....	27,668.41	24,270.19	28,362.00	24,552.00
Taxes assignable to operations.....	174,896.40	182,980.52	182,947.00	191,422.00
Deductions from net operating revenues.....	202,563.81	207,200.71	211,309.00	215,974.00
Operating income (exclusive of accounts 302 and 303).....	3,898,450.92	4,298,019.92	476,633.00	261,171.00
Income from lease of plant.....	259,219.52	187,573.42		
Total.....	4,157,670.44	4,485,593.34	476,633.00	261,171.00
Rent for lease of plant.....	252,166.30	216,045.73	48,924.00	46,932.00
Miscellaneous rents (in connection with telegraph and cable operations only).....	(1)	(1)		
Total (accounts 320 and 321).....	252,166.30	216,045.73	48,924.00	46,932.00
Net.....	3,905,504.14	4,269,547.61	427,709.00	214,239.00
Interest on funded debt.....	800,000.00	800,000.00	26,000.00	26,000.00
Other interest deductions.....	(4)	(4)		
Dividend appropriations of income.....	(5)	(5)		
Dividend appropriations of surplus.....	(1)	(1)	60,000.00	60,000.00
Plant and equipment installed (net).....	542,183.02	510,102.43	3,198.00	5,752.00
Operating revenues:				
Total revenues from transmission—telegraph.....	12,293,539.83	13,317,126.58	11,836,801.00	10,603,118.00
Total revenues from transmission—cable (land line proportion).....	930,415.87	1,122,092.32		
Total nontransmission revenues.....	680,250.86	655,451.44	617,635.00	2,683,495.00
Contract revenues—Dr.....	(1)	(1)		60,976.00
Amount of depreciation charged to operating expense account 608.....			2,197,900.00	2,350,200.00

¹ None.

² See explanation attached on back of this report.

(a) What basis, in your opinion, should be used in determining just compensation for your company?

(b) What factors have been used in reaching conclusions in answer to question (a) and your reasons for such conclusions? State fully.

(c) Are the conditions such under your company management, keeping particularly in mind the present and prospective cost of labor and materials, that the estimated net earnings for the year beginning July 1, 1918, will be sufficient to cover the compensation referred to in your answer to question (a)? (If not, state fully what increase in revenue you consider necessary to put the company on such basis. Estimates for operating expenses should be shown in budget form.)

(d) State the respondent's "Total investment in plant and equipment." Not known.

State the respondent's "Capital stock" outstanding (\$93,023,935).

State the respondent's "Funded debt" outstanding (\$20,000,000).

State the amount of other interest bearing securities outstanding (\$600,000).

State the number of offices (992 main; 500 branches).

State the miles of pole line (29,762.99).

State the miles of wire (copper) (162,809.17).

State the miles of wire (iron) (83,333.06).

Instructions.—In accordance with joint resolution of Congress bearing date July 16, 1918, an abstract from which reads as follows: "That the President during the continuance of the present war is authorized and empowered * * * to supervise or to take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war * * * *Provided*, That just compensation shall be made for such supervision, possession, control, or

operation, to be determined by the President," the company, the name of which appears on this sheet, is required to furnish the information indicated by these instructions and the above Form BCI.

Receipt of the form should be acknowledged at once with a statement, on the inclosed card, as to the date on which you expect to be able to return this questionnaire. The blanks should be filled out and one completed sheet returned to the Postmaster General at the earliest possible date. A copy should be retained by the respondent. The name and official title of the officer making same and the full address of such officer, as well as the exact corporate name of the company for which the report is made, should be shown in the oath at the bottom of this sheet.

Answers to questions appearing hereon should be complete; and full information as to the reasons for such conclusions, as well as detailed information as to the records or conditions which, in the opinion of the reporting officer, justify the conclusions. The answers to Question (d) should be as of July 1, 1918.

If sufficient space is not provided on the form for answers to the various questions, separate sheets may be used which should be securely fastened to the questionnaire.

A. S. BURLESON,
Postmaster General.

[Oath follows.]

JANUARY 22.

MY DEAR MR. MOON: I am very much interested in Government ownership of telephones and I fear the bill in its present form gives its opponents an opportunity to evade the real issue, viz, Government ownership versus private ownership. I venture to propose an amendment—just a few words—providing that the local exchanges shall be turned over at actual value to any State, county or municipality asking for same. This gives Government ownership at home if wanted. It answers the centralization argument and the question raised by the States that are resisting rates. The amendment will draw the line between public and private ownership without compelling Democrats to defend the operation of all the local exchanges from Washington. I inclose a few copies of an article on the subject which I will ask you to give to progressive Democrats and Republicans. The establishment of the principle of Government is very necessary just now.

Very truly, yours,

W. J. BRYAN,
Y. M. C. A., Baltimore.

[From the Lincoln (Nebr.). Commoner, January, 1919.]

FEDERAL OWNERSHIP TELEGRAPH LINES—DUAL OWNERSHIP TELEPHONES.

The easiest problem connected with the question of government ownership is the nationalization of the telegraph lines. The private ownership of telegraph lines presents all the evils of the private monopoly, while public ownership of these lines is open to less objection than is made to any other form of ownership by the Federal Government.

Postmaster General Burleson, in his recent annual report, recommended that the telegraph systems of the country be declare to be a government monopoly, to be hereafter owned and operated by the Federal Government in connection with the postoffice department.

And why not? It is impossible to have competition in the matter of telegraph service without such a duplication of plants and such additional expense as to make the competitive system costly wherever it is attempted, and would undoubtedly prevent telegraph service in the smaller communities. As it is, the Western Union does not reach all of the communities reached by the postal service, and it would reach still less if it had to divide business with a competitor.

The telegraph lines are used for the spread of information and are in actual competition with the Post Office Department. It was charged not long ago that one of the companies was using the mails for the delivery of night letters, thus taking advantage of the Government mail service while charging telegraph rates.

The Federal Government is in position to supply much more complete service than a private monopoly possibly can and at a very much less cost. Every post office should be supplied with a telegraph instrument, except where the telephone is substituted for it. It is not difficult to learn the telegraph code, and in the smaller communities there is no reason why the one in charge of the post office should not also attend to the telegraph business.

The amount invested in privately owned telegraph systems is comparatively small, so that the cost of taking them over or duplicating them can not be used as an argument against immediate nationalization. And it is not a new

question. The country has had three decades in which to consider the proposition. Postmaster General Wanamaker recommended a postal telegraph system when a member of President Harrison's cabinet, and Postmaster General Hitchcock, a member of President Taft's cabinet, renewed the recommendation.

The country is ripe for the change. The war brought the question to an issue, and of all extensions of governmental activity this is the one which is most certain to become permanent.

The only opposition likely to be met by the advocates of the nationalization of telegraph lines will come from two groups—one, very small, made up of persons peculiarly interested in the control of the wires, and another composed of those who are so much opposed to the principle of Government ownership that they object to any extension of governmental powers on the theory that one step may lead to another; that is, that Government ownership of the telegraph lines may lead to the taking over of other franchises.

The objection based on pecuniary interest will be discounted because of that pecuniary interest, and the objection based on fear of other extensions will be rejected by the common sense of the country, which is practical enough to deal with each question upon its merits.

The nationalization of telephones, also recommended by Postmaster General Burleson, is a much larger question. The long-distance telephone lines are in the same class with telegraph lines and should be owned and operated by the Federal Government for the same reasons.

Not only is the long-distance telephone line quite identical with the telegraph line in the service rendered, but it is already being used as a substitute for the telegraph line over short distances, so that it is likely to interfere seriously with telegraph business and to prevent any further extension of the telegraph system into smaller communities.

But for the increasing amount of capital that is being invested in the long-distance telephone service there would be but little opposition to the proposition to nationalize them. But the pecuniary opposition, considerable as it will be, can not overcome the conclusive arguments advanced in favor of the ownership and operation of the long-distance telephone lines by the Federal Government.

But why should the Federal Government operate the local telephone exchanges? They constitute by far the larger part of the telephone system. Only a small percentage of the calls use long-distance. If there is any virtue in the theory of popular government, then the people can best attend to the business nearest them; the business which most concerns them.

The citizen is much more interested in the successful operation of the telephone system in his own city than he is in telephones outside, and much more interested than any outsider can be in the perfecting of the local system. Why should it be necessary for a citizen to appeal to Washington to remedy inefficiency in his own municipality? The Washington official is not only too far away to be readily sympathetic, but he has so many calls that he can not give prompt attention to each one that a local official can.

A clear line can be drawn between ownership by a municipality and ownership that is directed from Washington. The local telephone system is as much a monopoly as a water plant. Any attempt at competition in the matter of local telephones is not only expensive to the community but an annoyance. It comes under the head of a natural monopoly and should be owned by the Government. If we must eventually come to the Government ownership of telephone exchanges, why not now? Why return them to private hands and then begin a fight to secure public ownership?

Our Federal Government has been a success because it was built upon a plan—the only plan yet devised—which permits indefinite expansion without loss of efficiency—a dual plan under which the Federal Government attends to national matters, and the State government to matters which are local. Why not apply the same principle to the telephone monopoly, and let the Federal Government operate the long-distance lines, leaving the local exchanges to be operated by local governmental units to be defined by State legislation?

The Federal Government might temporarily look after the local exchanges until the States themselves provide for ownership and operation by local units. As nearly all the States have legislative sessions this winter, it is possible to put the dual plan into operation before the adjournment of Congress.

If it is urged, as an objection to Government operation of the telephone system, that the employees may be used for political purposes, it may be

answered, first, that experience shows that Government officials can not be used in politics to the same extent that private corporations have used their employees. Second, that the use of political employees may be reduced to a minimum by a wisely constructed civil-service system.

I say "wisely constructed" because the civil-service system, as we now have it, is not the last word on the subject. Two serious objections may be made to it; first, that it is theoretically nonpartisan and second, that it tends to destroy the employee's interest in politics—an interest which is not only legitimate but necessary to our institutions.

Experience shows that the dominant party is not only able to turn the nonpartisan rules to its advantage, but often extends the system over employees selected by partisan rule, and it is not at all unusual to find civil-service employees who have refrained from voting for many years for fear they might vote on the losing side and thus jeopardize their positions.

If we had a civil-service system which retained, or even made more efficient, competitive examinations, and yet, after having secured efficiency by examinations, permitted a distribution of the offices in proportion to party strength, the system would be built upon a more substantial and enduring basis.

There is no objection to examinations, however rigid they may be, for no person can have a just claim to a public office unless he can show himself entirely qualified for its duties, but after the qualifications of applicants have been tested by examinations the appointments should be made from the party having less than its quota.

In this way applicants, instead of trying to conceal their politics, would not only announce their political affiliations but have them certified to by the proper party authorities, and then, after appointment, would be free to exercise a citizen's interest in the questions affecting the public welfare. Such a system could be applied to appointees in Nation, State, and city, the apportionment in each case being based upon the relative vote in that unit.

But whether under a revised system of civil service or under the present system the objections raised to Government ownership are not so serious as those that can be made against the owners of private monopolies. Government ownership of both telegraph lines and telephone systems is coming, and now is a good time to adjust ourselves to this extension of governmental activity. The dual plan is submitted for consideration, with the confidence that it meets the requirements of the situation.

W. J. BRYAN.

ELECTRA, TEX., *January 23, 1919.*

Hon. JOHN A. MOON,

Chairman House Committee Post Office and Post Roads, Washington, D. C.:

Thinking that you are under the impression that the independent telephone owners do not desire the immediate return of their property, I take this method of advising you that I am independent owner and operator and that I do want my property returned and think that every other owner of small exchange and the people that they serve want the same.

A. L. ROBB.

CHARLESTON, W. VA.

January 25, 1919.

HOUSE COMMITTEE ON THE POST OFFICE AND POST ROADS,
House of Representatives,
Washington, D. C.:

We favor the immediate return to private control of the telegraph and telephone lines of the country.

EDGAR G. RIDER,

E. F. MORGAN,

Members of the Public Service Commission of West Virginia.

MUSKEGON, MICH., *January 23, 1919.*

Congressman JOHN A. MOON,
Washington, D. C.:

United Home Telephone Co. owner favors immediate return of telephone property to owners. Present arrangement a farce.

JOHN H. MOORE,
Vice President.

262 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

HURON, KANS., January 25, 1919.

JOHN A. MOON,

Chairman House Committee Post Office and Post Roads,

Washington, D. C.:

From the best information obtainable it seems that an impression has been given out at Washington that owners and patrons of independent telephone companies desire indefinite extension of Government control or ownership. If such is the case we beg to state that it is not true. On the other hand, as far as I can learn, every company in Kansas that has had an opportunity to express its opinion has voted unanimously against it and pray for their property to be returned to them at the very earliest possible moment. I am, therefore, authorized by a large number of said companies to communicate this information to you.

O. M. ANDERSON.

WINSLOW, ILL.

January 25, 1919.

United States Congressman Moon,

Washington, D. C.:

We would like our system back at once as we are losing too much business under Government control.

WINSLOW-SOUTH WAYNE TELEPHONE CO.,

W. B. PHELPS.

PUBLIC SERVICE COMMISSION OF INDIANA.

Indianapolis, January 25, 1919.

HOUSE COMMITTEE ON THE POST OFFICE AND POST ROADS,

Washington, D. C.

GENTLEMEN: The Public Service Commission of Indiana urges that you vote against the Moon joint resolution providing for the extension of governmental control of the wire systems of the country.

This commission has given careful consideration to this question. Its representatives have conferred several times with Mr. Burleson and his associates. Before the cessation of hostilities the Indiana Commission sought to cooperate to the fullest extent with the federal authorities in all things which contributed to the successful prosecution of the war without regard to effect on local conditions or State laws.

It is obvious that Mr. Burleson is now seeking to use war power conferred on him to enforce a personal and peace program. The Public Service Commission of Indiana recognizes that in the progressive development of the country a larger centralization and unification of telephone and telegraph service must result. Such a centralization and unification should not, however, arbitrarily be made under authority granted solely for the purpose of enabling the country more effectually to prosecute the war. The Federal control of the telephone and telegraph systems of the country and the unification of service involves tremendous problems. These problems should be solved by careful investigation and study and ample time taken to thoroughly consider them.

Under governmental control as now exercised and as Mr. Burleson undoubtedly would exercise it in the future, arbitrary rates are fixed, compensation agreements with companies are made without proper investigation and study, and many other acts are being committed which have but one obvious purpose—namely to “scramble the eggs” and make it impossible to do much more than accept without proper consideration complete Federal control or ownership of the wires of the country.

As an evidence of the methods being used by the Post Office Department in its control of the telephones, Burleson's recent order 2495 was announced to the country as a general decrease in toll rates. The facts are that the rates order provided for increases of from 25 per cent to 30 per cent and this fact certainly must have been known at the time. The rates are arbitrarily established without hearing or opportunity to show their injustices and are initiated merely on the recommendation of a rate standardization committee appointed by Burleson.

The Moon resolution, which seeks to continue the present and unwarranted arbitrary exercise of power, most certainly should be defeated. The wires of

the country should be promptly returned to their owners. Then if it is the judgment of Congress that there should be a larger governmental control and unification of service, the matter could be approached in the regular and usual manner and due consideration given to the vital and perplexing problems which the whole question presents.

The people of Indiana, business and professional men and practically all owners of telephone property, are vigorously opposed to governmental control and desire the wires returned to their owners at the earliest possible moment.

The Public Service Commission of Indiana most earnestly urges the defeat of the proposed legislation which seeks the extension of governmental control over the wire systems of the country.

Very truly yours,

PUBLIC SERVICE COMMISSION OF INDIANA,
E. I. LEWIS,
Chairman.

CHICAGO ASSOCIATION OF COMMERCE,
Chicago, January 25, 1919.

Hon. JOHN A. MOON,
House of Representatives,
Washington, D. C.

DEAR MR. MOON: I have the honor of directing your attention to the following resolutions adopted by the Chicago Association of Commerce, through its executive committee, January 24:

Whereas, The extraordinary problems produced by the war and the coming reconstruction period render it extremely difficult, if not impossible, for the owners of great wire systems now under Federal control to successfully resume their operation, without remedial legislation and the provision of some reasonable period in which to allow for the necessary preparation and readjustment and

Whereas, To consider these problems properly, will require more time than is available during the present short session of Congress and unless some action is taken at this time the properties will be returned to the owners, upon declaration by the President of the ratification of peace treaties, without any advance notice and without any period for the readjustment—clearly a manifest injustice to the owners thereof and a menace to the business interests of the country; now therefore be it

Resolved, That the Chicago Association of Commerce be on record as favoring the enactment by Congress of some law which will continue the control and operation of such utilities by the Government, until Congress shall have studied the question and determined upon a proper and safe procedure to be thereafter followed. That on consideration of House Joint Resolution 368, this Association urges the support in principle of the first paragraph and the last paragraph thereof, but urges that the expense, uncertainties, and possible futility of an appraisal and of negotiation of contracts for purchase of the telephone systems, should lead to the postponement of measures along these lines until a general policy shall be determined and set forth on which such measures should be framed.

We bespeak your favorable consideration of the propositions herein advanced, which we hope will have your support.

Very sincerely yours,

H. H. MERRICK,
President.

CHICAGO, ILL., *January 24, 1919.*

JOHN A. MOON,
House of Representatives, Washington, D. C.:

Resolution adopted by Minnesota Independent Telephone Association at St. Paul, January 23, reads as follows:

Whereas, the loyalty of the independent telephone interests of the United States is above question as evidenced by the large number of telephone men who rendered valiant and efficient aid in the military service and by the patient acquiescence and cooperation of the owners of independent telephone properties during the emergency which the Administration considered existed, and

Whereas we feel that the conditions which warranted such control have ceased to exist and that the telephone properties and business should be returned to a normal condition as soon as possible, to the end that the present unsettled conditions may be remedied and the industry again stabilized, therefore be it *Resolved*, That it is the sense of the Minnesota Independent Telephone Association that Congress should at once fix a definite date upon which telephone properties shall be returned to the owners and requests that such date be fixed at December 31, 1920. The secretary of this association is hereby instructed to send a copy of this resolution to Postmaster General Burleson, F. B. McKinnon, and to the Minnesota Members of Congress.

TELEPHONE PUBLISHING CO.

THE VALLEY TELEPHONE CO.,
Lebanon, Ohio, January 24, 1919.

Representative Moon,
Chairman Committee on Post Offices and Post Roads,
House of Representatives, Washington, D. C.

DEAR SIR: I write this as general manager and the largest stockholder of the Valley Telephone Co., its annual gross receipts a little less than \$50,000, and therefore classified as a Class C company, in the Interstate Commerce classification. I have been this company's manager since 1889, and I know something of its difficulties and responsibilities incident to its operation, maintenance, finances, and capitalization.

First. I am in favor of H. J. Resolution 368, as I understand it, and especially the clause authorizing "fixing of the value of all lines and property." You will pardon me if I suggest that the resolution should be amended and a definite date fixed at not less than 3 years, before the property could be turned back to private control and governmental operation should continue during the period of readjustment of values of wages and materials immediately following the war.

It would be unjust to the loyal employees of wire companies to have the Government take possession and operate these propositions and compel their employees to work at their former wages, and make an adjustment with the employees of the railroad companies, giving an increase of from 35 to 50 per cent and back-pay adjustments of months and not do the same thing with them.

Second. It would be unjust to stockholders of wire companies to take charge of their plants, change their rates, their schedules, their operating conditions, and their management and then turn the property back to their owners in the chaotic condition incident to such changes without regard to time.

Third. It would be unjust to the holders of wire company securities, because the market for securities of Class C companies is local and identified with their plants, and patriotic war stamp and Liberty bond campaigns have completely absorbed the market. So that such companies are unable to refund maturing bonds or finance necessary extensions.

Money could not be obtained at any reasonable rate for such investments. The securities of our company were issued prior to the war. Our bonds were sold at par and bear 5 per cent interest, they mature in 1922.

How can we refund these bonds or capitalize extensions absolutely necessary in a territory occupied by this company at any reasonable rate? Therefore it is just that the Government fix the values of our lines and property, that our creditors may know the value of their holdings.

Fourth. It would be unfair to the patrons of the wire companies, who have been led to believe and honestly do believe, that under governmental management, more satisfactory service and operative conditions can be obtained than under private management.

I therefore urge that a definite period be fixed when governmental management of wire companies should be ended, if at all, and that that time should be sufficiently long to enable a substantial readjustment to normal conditions interfered with by the war.

Respectfully yours,

W. G. THOMPSON.

JANUARY 28, 1919.

HON. JOHN A. MOON,
Chairman Committee on Post Offices and Post Roads.

MY DEAR MR. MOON: I am inclosing herewith certain data requested of me by the committee with respect to each of the compensation agreements with the telegraph and telephone companies which have been made up to this time. These show the investment in property, compensation allowed, per cent of compensation to investment, amount allowed for depreciation, net revenue of the particular company for the six months ended June 30, 1918, the net revenue for 1915, 1916, and 1917 (the bases fixed by Congress for compensation to the railroads), and the interest charges for which each company is obligated, together with some explanatory remarks. The following table summarizes briefly the data shown in detail for the various companies:

	Telephone companies.	All companies.
Investment, Aug. 1, 1918.....	\$1,325,960,024	\$1,477,407,924
Compensation allowed.....	\$70,599,724	\$80,798,565
Ratio of compensation to investment.....per cent..	5.32	5.47
Net revenue, 6 months ending June 30, 1918.....	\$36,247,566	\$41,928,340
Average investment, 1915-1917.....	\$1,144,900,000	\$1,287,407,924
Net revenue, 1915-1917.....	\$69,395,742	\$80,835,742
Ratio average earnings to investment for 1915-1917.....per cent..	6.06	6.28

In this connection I wish to call your attention to the fact that the wire committee, in considering the proposal of each company, determined that the compensation allowed would be earned by the properties over and above operating expenses. In arriving at this conclusion we considered the previous net earnings of the properties, as well as the rate increases which had been allowed by the various State commissions, and the effect they would have on the net earnings as well as possible increases in operating expenses due to the abnormal conditions under which the properties were being operated.

The operating figures from August 1, 1918, to January 1, 1919, are not yet available, though they are being prepared by the operating board. Enough data has, however, been obtained to show that since August 1, 1918, the increase in wages and the decreased number of new phones installed due to war conditions, such as the scarcity of labor and materials, have somewhat reduced the net operating revenues below the estimates made at the time some of the compensation agreements were entered into, but readjustment of rates in progress will enable the wire administration to readily take care of this deficiency if Government control continues for any reasonable time, so that there will be no need for an appropriation by Congress growing out of Government control of the wire system.

I may add, in conclusion, that the amounts stated of investment in property do not include some \$15,000,000 of working capital of the various companies which the Government took over with the properties and upon which no interest is paid.

It should also be borne in mind that the figures showing the net revenues for the years 1915, 1916, and 1917 do not reflect accurately the earning power of the properties at the time they were taken over, for the reason that several hundred million dollars of additional property has been added in the way of extensions, which are producing additional revenue. This is especially true of the Bell system, where the additions to the property during this period have amounted to about \$200,000,000.

• Very sincerely, yours,

W. H. LAMAR, *Solicitor.*

266 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

Investment in property, compensation allowed, etc.

OHIO STATE TELEPHONE CO.¹

Investment in property	\$28,209,000.00
Compensation allowed	1,576,000.00
(Per cent compensation to investment, 5.59.)	
Depreciation	500,000.00
Net revenue, six months ending June 30, 1918	806,762.00
Net revenue average for 1915, 1916, 1917	946,741.00
Interest charges	812,795.00

BELL SYSTEM.²

Investment in property	1,225,650,000.00
Compensation allowed	65,148,641.00
(Per cent compensation to investment, 5.32.)	
Depreciation	60,291,579.00
Net revenue, six months ending June 30, 1918	33,798,786.00
Net revenue average for 1915, 1916, 1917	66,318,903.00
Interest charges	25,118,480.00

WESTERN UNION TELEGRAPH CO.

Investment in property	151,447,000.00
Compensation allowed	10,198,841.00
(Per cent compensation to investment, 6.73.)	
Depreciation	4,000,000.00
Net revenue, six months ending June 30, 1918	5,680,774.00
Net revenue for 1915, 1916, 1917	11,440,000.00
Interest charges	1,971,992.00

KANSAS CITY HOME AND LONG-DISTANCE COMPANIES.

Investment in property	9,800,000.00
Compensation allowed	585,308.00
(Per cent compensation to investment, 5.97.)	
Depreciation	300,000.00
Net revenue, 6 months ending June 30, 1918	358,000.00
Net revenue average for 1915, 1916, 1917	628,044.00
Interest charges	254,400.00

HOME TELEPHONE & TELEGRAPH CO., OF FORT WAYNE.

Investment in property	1,295,000.00
Compensation allowed	100,000.00
(Per cent compensation to investment, 7.72.)	
Depreciation	60,000.00
Net revenue, 6 months ending June 30, 1918	52,775.00
Net revenue average for 1915, 1916, 1917	123,444.00
Interest charges	None.

DAKOTA CENTRAL TELEPHONE CO.

Investment in property	3,279,965.00
Compensation allowed	180,000.00
(Per cent compensation to investment, 5.49.)	
Depreciation	134,000.00
Net revenue, 6 months ending June 30, 1918	95,021.00
Net revenue average for 1915, 1916, 1917	172,418.00
Interest charges	64,170.00

¹ This company was organized July 28, 1914, by combining the properties of a number of independent companies. At the time of the company's organization the properties had been in a relative static condition for five years. In October, 1909, the company had 77,080 telephones and in July, 1914, it had 95,000. Since July, 1914, the company's plant has been rehabilitated and its telephones have been increased from 95,000 to 150,000. At the time of the formation of the present company \$7,144,875 was written out of the book value of the plant to offset the reduction of outstanding securities. The compensation awarded is sufficient to pay interest on the company's bonds, 7 per cent dividends on its preferred stock and leave 5.8 per cent on the common stock. Of this about one-half will be consumed by sinking fund, accruals, and corporate expenses.

² The net revenue average of 1915 to 1917 was earned by an amount of property smaller than that turned over on Aug. 1, 1918, by \$160,000,000.

LOUISVILLE HOME TELEPHONE CO.¹

Investment in property	\$4,095,000.00
Compensation allowed	175,000.00
Per cent compensation to investment, 4.27.	
Depreciation	120,000.00
Net revenue, 6 months ending June 30, 1918	89,540.00
Net revenue for 1915, 1916, 1917	211,081.00
Interest charges	75,585.00

KINLOCH AND SUBSIDIARIES.

Investment in property	10,112,000.00
Compensation allowed	510,400.00
Per cent compensation to investment, 5.05.	
Depreciation	250,000.00
Net revenue, 6 months ending June 30, 1918	256,908.00
Net revenue for 1915, 1916, 1917	510,808.00
Interest charges	254,400.00

UNITED HOME TELEPHONE CO., OF MUSKOGON.

Investment in property	815,000.00
Compensation allowed	53,272.00
Per cent compensation to investment, 6.54.	
Depreciation	39,770.00
Net revenue, 6 months ending June 30, 1918	28,900.00
Net revenue average for 1915, 1916, 1917	39,280.00
Interest charges	15,378.00

PETROLEUM TELEPHONE CO. OIL CITY, OKLA.

Investment in property	700,485.00
Compensation allowed	50,250.00
Per cent compensation to investment, 7.17.	
Depreciation	24,000.00
Net revenue, 6 months ending June 30, 1918	34,283.00
Net revenue average for 1915, 1916, 1917	65,087.00
Interest charges	11,250.00

GARY SYSTEM—TEXAS PROPERTY, JOPIN AND STREATOR.

Investment in property	3,279,000.00
Compensation allowed	191,000.00
Per cent compensation to investment, 5.82.	
Depreciation	110,800.00
Net revenue, 6 months ending June 30, 1918	104,499.00
Net revenue for 1915, 1916, 1917	208,998.00
Interest charges	151,076.00

FAYETTE HOME TELEPHONE CO., OF LEXINGTON, KY.²

Investment in property	1,002,780.00
Compensation allowed	75,000.00
Per cent compensation to investment, 7.48.	
Depreciation	60,000.00
Net revenue, 6 months ending June 30, 1918	31,088.00
Net revenue for 1915, 1916, 1917	64,404.00
Interest charges	9,715.00

¹ The compensation awarded will enable the company to pay its interest charges and 7 per cent on its common stock.

² This company earned \$70,000 net in 1915, \$62,000 in 1916, and \$61,000 in 1917. It increased rates in June this year. Under these new rates it is estimated that the company will earn \$90,000 during the year of 1919. During the year 1918 the company earned \$77,000.

268 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

LINCOLN TELEPHONE & TELEGRAPH CO.¹

Investment in property-----	\$7, 201, 000. 00
Compensation allowed-----	425, 000. 00
(Per cent compensation to investment, 5.90.)	
Depreciation-----	432, 060. 00
Net revenue, six months ending June 30, 1918-----	186, 583. 00
Net revenue, average for 1915, 1916, 1917-----	380, 241. 00
Interest charges-----	62, 429. 02

DALLAS AUTOMATIC TELEPHONE CO.²

Investment in property-----	2, 517, 591. 00
Compensation allowed-----	100, 000. 00
(Per cent compensation to investment, 3.97.)	
Depreciation-----	50, 000. 00
Net revenue, 6 months ending June 30, 1918-----	48, 021. 00
Net revenue for 1915, 1916, 1917-----	134, 127. 00
Interest charges-----	67, 851. 00

WARREN & NILES TELEPHONE CO. OF OHIO.

Investment in property-----	400, 000. 00
Compensation allowed-----	17, 190. 00
(Per cent compensation to investment, 4.29.)	
Depreciation-----	16, 800. 00
Net revenue, 6 months ending June 30, 1918-----	8, 273. 00
Net revenue for 1915, 1916, 1917-----	15, 804. 00
Interest charges-----	5, 020. 00

CITIZENS' INDEPENDENT TELEPHONE CO., OF TERRE HAUTE, AND SUBSIDIARIES.

Investment in property-----	2, 255, 000. 00
Compensation allowed-----	102, 428. 00
(Per cent compensation to investment, 4.54.)	
Depreciation-----	25, 293. 00
Net revenue, 6 months ending June 30, 1918-----	59, 308. 00
Net revenue for 1915, 1916, 1917-----	137, 337. 00
Interest charges-----	59, 728. 00

COMMERCIAL TELEPHONE & TELEGRAPH CO., OF OLNEY, ILL.³

Investment in property-----	675, 833. 00
Compensation allowed-----	36, 000. 00
(Per cent compensation to investment, 5.32.)	
Depreciation-----	22, 083. 00
Net revenue, 6 months ending June 30, 1918-----	15, 763. 00
Net revenue for 1915, 1916, 1917-----	27, 112. 00
Interest charges-----	17, 882. 29

UNION TELEPHONE CO., OF ALMA, MICH.

Investment in property-----	1, 061, 000. 00
Compensation allowed-----	80, 000. 00
(Per cent compensation to investment, 7.54.)	
Depreciation-----	31, 928. 00
Net revenue, 6 months ending June 30, 1918-----	38, 135. 00
Net revenue for 1915, 1916, 1917-----	71, 543. 00
Interest charges-----	82. 00

¹ Increased rates have been granted this company by the Nebraska commission as of Nov. 1, 1918. The commission estimates and states in its opinion that this increase will yield the company \$227,366 additional annual revenue.

² This company started in Dallas as a competitor to the Southwestern Bell Telephone & Telegraph Co. The properties of the two companies in Dallas have recently been acquired by a third company, the Dallas Telephone Co., and are being consolidated at this time.

³ This company started operation on May 1, 1913, and was formed by consolidating a number of companies with only partial development. From that time up to date the company has been rebuilding its plant the entire time. It has recently obtained an increase in rates; as a result its earnings have been gradually improving, and it will earn \$40,000 during the year 1919.

⁴ This company has been operating in competition with the Michigan State Telephone Co. at practically all of its exchanges until recently. By exchange of property with Michigan State Telephone Co. competition has been eliminated throughout its territory. This, together with adjustment of exchange rates, will increase the earnings of the company materially and will enable it to earn its compensation allowance.

GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE. 269

CAROLINA TELEPHONE & TELEGRAPH CO., OF TARBORO, N. C.

Investment in property	\$577,000.00
Compensation allowed	45,000.00
Per cent compensation to investment, 7.79.	
Depreciation	45,000.00
Net revenue, 6 months ending June 30, 1918	28,568.00
Net revenue for 1915, 1916, 1917	53,682.00

PENINSULAR TELEPHONE CO., OF TAMPA, FLA.

Investment in property	1,547,000.00
Compensation allowed	110,000.00
Per cent compensation to investment, 7.11.	
Depreciation	61,000.00
Net revenue, 6 months ending June 30, 1918	61,491.00
Net revenue for 1915, 1916, 1917	100,846.00
Interest charges	43,200.00

CENTRAL HOME OF KENTUCKY.¹

Investment in property	2,873,700.00
Compensation allowed	65,000.00
Per cent compensation to investment, 2.22.	
Depreciation	67,333.00
Net revenue, 6 months ending June 30, 1918	32,453.00
Net revenue average for 1915, 1916, 1917	75,675.00
Interest charges	42,399.00

GAINESBORO TELEPHONE CO. OF TENNESSEE, OF GAINESBORO, TENN.²

Investment in property	\$380,000.00
Compensation allowed	25,500.00
Per cent compensation to investment, 6.97.	
Depreciation	15,500.00
Net revenue, 6 months ending June 30, 1918	11,409.00
Net revenue average for 1915, 1916, 1917	18,689.00
Interest charges	5,522.00

CONSOLIDATED TELEPHONE & TELEGRAPH CO. OF THOMASVILLE, GA.³

Investment in property	\$232,482.00
Compensation allowed	10,800.00
Per cent compensation to investment, 4.60.	
Depreciation	4,000.00
Net revenue, 6 months ending June 30, 1918	4,298.00
Net revenue, 6 months ending June 30, 1918	4,000.00
Net revenue for 1915, 1916, 1917	6,630.00
Interest charges	2,800.00

TEXAS LONG DISTANCE TELEPHONE CO.⁴

Investment in property	2,690,000.00
Compensation allowed	100,000.00
Per cent compensation to investment, 3.71.	
Depreciation	40,000.00
Net revenue, 6 months ending June 30, 1918	55,272.00
Net revenue for 1915, 1916, 1917	(⁵)
Interest charges	70,300.00

¹ The figure of investment for this company contains a large amount of water. The compensation amounts to interest and 1.2 per cent on stock. This, together with the company's nonoperating income, will enable to pay its regular 2 per cent dividends.

² Company purchased telephone property at McMinnville Oct. 1, 1918. This will add \$6,000 per annum to the net revenue of the company.

³ This company was granted a rate increase effective Jan. 1, 1919, which will make its earnings sufficient to cover the compensation allowed it.

⁴ This property is a consolidation of a number of other properties. The earnings of the constituent properties for 1915, 1916, and 1917 are not available. The book figure for investment in property includes considerable amount of water. The compensation allowed covers the interest charges of the company and leaves \$29,700 for the stock.

⁵ Not available.

270 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

ABOOSTOOK TELEGRAPH & TELEPHONE CO.

Investment in property-----	\$566,028.00
Compensation allowed-----	28,002.00
(Per cent compensation to investment, 4.94.)	
Depreciation-----	30,700.00
Net revenue, 6 months ending June 30, 1918-----	15,574.00
Net revenue for 1915, 1916, 1917-----	28,670.00
Interest charges-----	7,402.00

COOS TELEPHONE CO.¹

Investment in property-----	338,114.00
Compensation allowed-----	17,029.00
(Per cent compensation to investment, 5.03.)	
Depreciation-----	20,500.00
Net revenue, 6 months ending June 30, 1918-----	977.00
Net revenue for 1915, 1916, 1917-----	18,339.00
Interest charges-----	10,129.00

THE TRI-STATE TELEPHONE & TELEGRAPH CO.²

Investment in property (estimated)-----	13,000,000.00
Compensation allowed-----	717,562.00
(Per cent compensation to investment, 5.52.)	
Depreciation ³ -----	260,000.00
Net revenue, 6 months ending June 30, 1918 ⁴ -----	
Net revenue, average for 1915, 1916, 1917 ⁴ -----	
Interest charges-----	193,214.00

GRANVILLE TELEPHONE CO.⁵

Investment in property-----	272,353.00
Compensation allowed-----	13,596.00
(Per cent compensation in investment, 4.99.)	
Depreciation-----	16,100.00
Net revenue, 6 months ending June 30, 1918-----	2,352.00
Net revenue for 1915, 1916, 1917-----	11,420.00
Interest charges-----	3,746.00

MOOSEHEAD TELEPHONE & TELEGRAPH CO.⁶

Investment in property-----	223,104.00
Compensation allowed-----	10,483.00
(Per cent compensation in investment, 4.69.)	
Depreciation-----	12,900.00
Net revenue, 6 months ending June 30, 1918-----	4,702.00
Net revenue for 1915, 1916, 1917-----	3,900.00
Interest charges-----	483.00

¹ This company earned \$15,000 in 1915 and 1916, and \$9,000 in 1917. The company, until recently, has furnished exchange services at low rates with free service between exchanges. This free-toll service was discontinued by consent of the Public Service Commission of the State of New Hampshire. With this change in the rate situation the earnings of the company will be sufficient to cover its compensation.

² This company acquired as of July 1, 1918, the property of the Northwestern Telephone Exchange Co., located in St. Paul, Minn., and in the southern half of that State, and has sold to the Northwestern Telephone Exchange Co. its plant in Minneapolis and in the northern part of the State. No statement of earnings is available for the property now owned by this company except for the period since July 1, 1918.

³ For the first five months of Government operation depreciation is to be set aside at the rate of \$231,329 per annum.

⁴ Not available.

⁵ Increases in rates were made upon this company effective June 1, 1918, and Jan. 1, 1919. These increases will yield sufficient revenue to bring the earnings above the compensation allowed it.

⁶ This company is a recent consolidation of several other companies in Maine. Since consolidation the service has been improved and both exchange and toll rates have been increased to the point where its earnings will be more than sufficient to provide the compensation allowed.

GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE. 271

MAINE TELEPHONE & TELEGRAPH CO.¹

Investment in property -----	\$524,183.00
Compensation allowed -----	27,640.00
(Per cent compensation in investment, 5.27.)	
Depreciation -----	27,500.00
Net revenue, 6 months ending June 30, 1918 -----	8,492.00
Net revenue for 1915, 1916, 1917 -----	18,884.00
Interest charges -----	4,440.00

WHITE MOUNTAIN TELEGRAPH & TELEPHONE CO.²

Investment in property -----	180,359.00
Compensation allowed -----	10,913.00
(Per cent compensation in investment, 6.05.)	
Depreciation -----	10,600.00
Net revenue, 6 months ending June 30, 1918 -----	4,356.09
Net revenue for 1915, 1916, 1917 -----	8,116.00
Interest charges -----	1,863.00

CARROLL COUNTY TELEPHONE CO.³

Investment in property -----	70,110.00
Compensation allowed -----	4,333.00
(Per cent compensation in investment, 6.18.)	
Depreciation -----	3,850.00
Interest charges -----	1,083.00

FRANKLIN COUNTY TELEPHONE CO.

Investment in property -----	137,837.00
Compensation allowed -----	8,379.00
(Per cent compensation in investment, 6.08.)	
Depreciation -----	8,150.00
Net revenue, 6 months ending June 30, 1918 -----	3,951.00
Net revenue for 1915, 1916, 1917 -----	5,845.00
Interest charges -----	1,729.00

**MEMORANDUM CONCERNING TELEPHONE COMPANIES AND TELEGRAPH COMPANIES
REPORTING TO THE INTERSTATE COMMERCE COMMISSION FOR THE CALENDAR YEAR
1916.**

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS,
Washington D. C., August 20, 1918.

This compilation has been made from the annual reports of telephone and telegraph companies to the Interstate Commerce Commission. A report concerning these companies has not in the past been published by the commission.

I. TELEPHONE COMPANIES.

The telephone companies reporting to the Interstate Commerce Commission are classified as follows: Class A companies are those having annual operating revenues exceeding \$250,000; class B companies are those having annual operating revenues exceeding \$50,000, but not over \$250,000; and class C companies

¹ The rates on this property are inadequate and must be raised in order to bring them into conformity with other rates in the same general territory. When this revision in rates has been accomplished, the property will earn sufficient revenue to cover the compensation allowed.

² This company has recently had a revision of its rates, which will increase its revenues sufficiently to cover the compensation allowed.

³ This company was organized Feb. 1, 1918, and the property has since been rebuilt. There is, therefore, no statement of earnings available for the past. The conditions of the property and the schedule of rates are such, however, that it should earn the compensation as above.

are those having annual revenues exceeding \$10,000, but not over \$50,000. In addition there are approximately 8,000 companies having revenues below \$10,000 per annum which merely file a circular of information, but make no complete annual report. There are also many very small lines or companies for which no returns whatever are received.

The uniform system of accounts prescribed by the Interstate Commerce Commission for class A and class B companies became effective on January 1, 1913, and that for class C companies became effective on January 1, 1915. Annual reports rendered by telephone companies are based on these classifications, and are certified under oath by the officer having direct control of the accounts as well as by the president or other chief officer when such officer has supervisory control over the accounting of the company. This memorandum was compiled from returns as made in the annual reports of telephone companies without any extensive investigation by the commission as to their correctness. There were many obvious errors in the returns, especially of the smaller companies, and it has not been possible for this bureau to correct all errors and inconsistencies discovered in the reports. The tabulation on the whole, however, will reflect the condition of the telephone business in the United States for the year ended December 31, 1916. The totals at the head of the table represent an aggregate of the returns in the various columns for all the companies, except that certain figures have not been included in the totals where they would involve duplication. For example, in case of consolidation, etc., certain data are given as of dates other than December 31, 1916, and in some instances such, if included, would involve duplication. It will be noticed from footnotes throughout the table that returns do not appear in many cases in the various columns because the information was not reported, and therefore the totals do not include complete statistics for all the companies named.

It should be mentioned that the aggregate returns shown herein for the American Telephone & Telegraph Co. and its controlled companies do not fully represent the so-called Bell System, because this compilation as stated does not cover numerous small lines and especially because the grouping of companies is based upon corporate control only, and not upon operating arrangements. By "control," as the term is here used, is meant ownership of more than one-half the capital stock or partial ownership of the capital stock and control agreement. As an illustration, the Cincinnati & Suburban Bell Telephone Co. and the Southern New England Telephone Co. are listed in Table I as independent companies, though a considerable portion of the stock of each company is held within the "Bell System" and though these companies are apparently considered as forming a part of that system, their reports bear no evidence of an agreement constituting control.

The uniform system of accounts for class A and class B companies and the annual reports filed by such companies are much more extended than the uniform system of accounts and annual reports for class C companies. The following should therefore be borne in mind in reference to the table which follows:

No returns appear in columns (e) and (f) for class C companies, as no provision has been made in the annual report form for reporting such data. In column (k) the amounts pertaining to class A and class B companies are shown in the annual report as "Total investment in fixed capital," while for class C companies the entries represent the "Plant and equipment," the chief difference being that expenditures for telephone property in the course of construction are included for class C companies, while such expenditures are excluded from this column for class A and class B companies.

In column (m) data appear for "Total long-term debt" for class A and class B companies, while the item "Funded debt" is taken for class C companies.

In column (r) the figures for class C companies were arrived at by taking the net of the income debits and credits, excluding from the computation "Dividends declared."

In Table I, relating to telephone companies, the names of all independent companies appear in alphabetical order, printed flush, while those of subsidiary companies are indented and are also alphabetically arranged. By this arrangement the relation of any company or group of companies may readily be determined.

The class of each company is shown in column (b).

A series of numbers appear in column (c), which indicate the corporate relationship of the various companies, the numbers having the following significations:

1. Independent.
2. Controlled through majority of capital stock (direct, sole).
3. Controlled through majority of capital stock (indirect, sole).
4. Controlled through majority of capital stock (direct, joint).
5. Controlled through majority of capital stock (indirect, joint).
6. Controlled through partial stock ownership and agreement.

II. TELEGRAPH COMPANIES.

Data concerning all the telegraph companies making reports to the Interstate Commerce Commission are shown in Table II. These have been divided into three groups: (1) The Western Union Telegraph Co., (2) the Postal companies, and (3) other companies. While care has been taken to compile the sworn returns accurately, it should be understood that the commission does not certify the accuracy of such items as are compiled. This explanation is made in part for the reason that the item "Investment in plant and equipment" as shown for various Postal companies seems obviously nominal. In connection with the other data shown for the Postal companies it should also be recognized that the association known as the Mackay companies has filed no report with this commission; hence the showing for the Postal companies is incomplete. It may also be noted that the reports of the Western Union Telegraph Co. cover both ocean cable, and the land telegraph business of that company. The Postal companies conduct the two classes of business through separately organized companies. The Commercial Pacific Cable Co. files an annual report, but the Commercial Cable Co. does not.

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ded Dec. 31, 1916.

rating enses.	Operat- ing ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employ- ees in service.	Casual
						Persons killed.
(o)	(p)	(q)	(r)	(s)	(t)	(u)
232, 882	66. 47	\$17, 122, 841	\$96, 643, 582	\$72, 438, 740	210, 874	96
054, 974	66. 51	14, 780, 112	87, 375, 804	65, 595, 643	171, 922	73
177, 908	66. 22	2, 342, 729	9, 267, 778	6, 843, 097	38, 952	23
9, 815	70. 72	464	1, 222	1, 500	15	
14, 833	57. 84	1, 782	8, 676	7, 242	22	
10, 300	81. 33	628	1, 329		23	
32, 523	69. 64	2, 700	16, 125	8, 400	41	
21, 211	93. 08	557	1, 373	600	21	
822	73. 79	38	3, 297	2, 491	7	
8, 149	59. 77	326	3, 285		11	
10, 155	67. 69	561	3, 881	1, 444	21	
990, 652	45. 26	1, 656, 124	38, 013, 278	31, 122, 187	9, 6138	6
812, 414	76. 31	585, 305	367, 346		8, 059	9
13, 628	80. 71	284	70		16	
45, 931	62. 23	4, 890	18, 388	9, 000	62	
30, 902	64. 69	2, 801	12, 257	7, 716	39	
7, 184	71. 43	590	1, 805	4, 650	17	
13, 387	83. 26	1, 080	1, 330		17	
9, 958	66. 04	636	2, 497	1, 800	21	
11, 838	70. 54	714	3, 922	2, 000	13	
24, 557	73. 42	2, 227	2, 301		38	
29, 422	63. 51	2, 975	13, 951	12, 785	33	
39, 447	58. 46	3, 910	23, 451	17, 653	46	
27, 302	69. 63	1, 893	3, 026		32	
16, 600	81. 19	679	1, 058		30	
19, 096	69. 64	424	6, 835	5, 500	28	
28, 170	66. 72	2, 312	8, 755	²⁴ 32, 589	49	
12, 574	91. 22	682	5, 644		21	
7, 536	66. 37	680	2, 956	1, 895	13	
19, 066	70. 42	1, 200	4, 601	4, 000	23	
35, 436	61. 85	4, 146	12, 077	12, 000	54	
142, 157	67. 36	10, 302	35, 934		198	
56, 300	76. 06	2, 738	5, 840	2, 440	64	
121, 897	78. 13	2, 618	28, 352	40, 344	144	
11, 734	72. 50	426	3, 827	2, 800	17	
031, 547	71. 32	1, 145, 901	3, 414, 586	2, 220, 000	²⁴ 14, 472	3
926, 952	73. 94	170, 971	302, 956	262, 500	²⁴ 2, 558	
57, 207	73. 63	2, 804	8, 064	71	71	
301, 888	111. 42	13, 137	194, 668		271	
357, 318	69. 21	106, 387	819, 843	700, 000	²⁴ 2, 168	
40, 888	70. 40	2, 520	11, 440	10, 842	53	
13, 098	76. 63	445	1, 979		16	
185, 392	71. 89	6, 937	40, 950	1, 500	237	
55, 446	70. 47	3, 738	17, 600	6, 000	58	
10, 154	80. 96	280	1, 476	1, 500	11	
13, 105	91. 99	466	290		19	
157, 408	110. 57	3, 358	41, 228	15, 806	105	
41, 028	72. 19	2, 699	11, 275	10, 367	57	
149, 691	61. 45	16, 576	35, 036	15, 000	98	
47, 006	73. 26	1, 201	8, 743		63	
233, 491	61. 35	12, 885	80, 539	40, 000	293	
788, 134	78. 64	374, 840	496, 391	240, 000	²⁴ 7, 516	
537, 074	73. 42	203, 328	585, 766		²⁴ 4, 202	
112, 830	71. 76	6, 611	31, 378	22, 875	105	
60, 404	77. 41	3, 315	5, 799	9, 150	74	
63, 121	76. 30	4, 065	4, 622		63	
261, 357	63. 99	14, 988	121, 992	84, 229	329	
697, 540	66. 65	491, 717	2, 368, 956	2, 368, 956	5, 897	
61, 743	88. 41	2, 091	9, 891		57	
16, 448	83. 04	885			15	
232, 895	66. 36	16, 492	77, 000	70, 000	205	
17, 679	87. 33	941	472		16	
822, 758	69. 77	133, 917	588, 191	525, 000	²⁴ 2, 020	
124, 251	72. 22	5, 922	18, 318	17, 737	122	
145, 729	71. 27	1, 077, 643	4, 251, 631	3, 460, 347	13, 994	
10, 496	71. 71	5, 205	26, 541	19, 582	132	
25, 244	73. 18	1, 294	6, 599	3, 530	25	
78, 047	75. 61	4, 623	9, 487	10, 710	100	
25, 598	77. 33	1, 412	4, 006	4, 171	26	
87, 196	75. 68	3, 650	17, 265	23, 195	95	
2, 698	75. 28	140	752		10	
42, 057	91. 53	747	4, 485		57	
30, 484	85. 80	994	1, 009		37	
98, 059	75. 51	5, 389	11, 130	5, 231	111	

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Dec. 31, 1916—Continued.

Operating expenses.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.	Persons killed
(c)	(d)	(e)	(f)	(g)	(h)	(i)
440,401	\$72.88	\$91,005	\$460,977	\$320,000	1,456	.....
70,508	77.54	3,858	12,994	6,400	65	.....
64,566	65.64	3,691	23,479	12,950	68	.....
40,147	72.56	2,152	8,217	2,111	49	.....
56,756	82.47	4,223	1,151	.....	74	.....
1,023,045	61.94	3,340,909	17,265,341	10,000,000	80 28,402	.....
47,492	76.89	3,300	4,644	.....	68	.....
60,433	88.25	3,682	938	.....	54	.....
877,539	70.10	507,095	4,951,892	3,599,760	84 16,275	.....
139,955	69.53	222,246	1,382,209	1,050,000	(87)	(87)
67,249	97.73	4,062	8,083	.....	87	.....
351,305	101.30	11,627	27,807	.....	419	.....
17,879	98.57	893	448	.....	6	.....
25,858	104.44	1,594	3,827	.....	33	.....
34,544	118.52	1,875	8,222	.....	34	.....
707,113	65.08	152,873	946,768	780,000	92 6,321	.....
694,640	69.83	290,983	191,350	.....	(86)	(86)
513,345	72.82	148,499	193,638	169,880	(86)	(86)
5,157	87.90	227	6	.....	27	.....
31,976	82.57	2,421	95	.....	203	.....
446,078	78.60	29,764	69,902	.....	(87)	(87)
18,019	83.88	900	372	.....	19	.....
8,670	79.04	400	469	.....	10	.....
260,264	78.41	152,447	38,248	.....	(87)	(87)
279,371	76.96	18,427	5,748	.....	253	.....
85,076	78.77	5,100	13,065	.....	117	.....
96,907	75.92	4,400	6,041	5,834	112	.....
689,442	73.67	195,278	634,386	600,000	111 4,379	.....
12,284	75.49	381	3,818	2,624	11	.....
13 17,185	90.52	113 1,241	113 3,350	.....	13	.....
48,396	60.06	2,473	21,517	11,835	36	.....
12,408	70.77	1,195	3,158	1,507	12	.....
209,048	69.67	13,888	41,652	32,120	188	.....
8,926	72.14	1,649	2,061	.....	8	.....
94,033	63.83	4,529	41,296	11,334	84	.....
391,147	72.06	991,428	2,206,928	1,920,000	12,579	.....
113,824	102.72	7,618	41,678	.....	63	.....
24,116	76.79	1,285	3,387	.....	27	.....
42,095	104.17	2,550	11,490	.....	43	.....
225,048	74.14	17,644	32,666	.....	212	.....
21,549	55.41	5,911	1,289	.....	33	.....
544,437	75.89	23,972	79,408	.....	587	.....
67,196	107.61	1,627	26,963	.....	62	.....
144,381	80.81	19,197	72,318	12,375	.....	.....
327,710	68.52	227,200	825,852	580,000	128 3,088	.....
19,112	83.43	1,284	2,276	2,276	20	.....
1,014,257	68.31	406,799	1,746,315	1,284,000	134 5,172	.....
91,911	69.93	6,550	24,703	24,500	106	.....
677,080	66.91	561,470	990,746	664,809	124 6,177	.....
95,899	74.14	6,971	17,677	.....	103	.....
17,959	93.12	917	448	.....	15	.....
411,436	88.28	38,657	8,656	.....	384	.....
52,781	70.57	2,987	16,966	9,944	76	.....
125,282	60.70	6,929	68,047	62,000	185	.....
14,745	82.49	442	2,579	.....	24	.....
66,851	60.99	3,983	36,610	96,542	104	.....
696,091	65.48	554,000	2,371,799	1,750,000	129 6,681	.....
13,241	91.62	2,481	3,932	.....	48	.....
16,679	73.85	1,190	5,290	4,230	25	.....
232,399	70.72	241,626	496,274	400,000	129 2,422	.....
18,335	89.30	319	.....	.....	17	.....
38,247	68.11	1,089	.....	.....	58	.....
12,941	93.83	248	206	.....	20	.....
151,940	71.22	6,060	52,385	.....	129 83	.....
1,076,345	65.68	264,053	1,313,962	740,720	144 3,906	.....
13,038	88.09	357	1,473	305	23	.....
51,219	65.74	2,046	22,014	10,000	60	.....
24,265	79.41	1,278	4,416	3,934	26	.....
8,282	67.49	532	3,503	12,350	11	.....
19,078	79.58	190	4,470	.....	26	.....

Dec. 31, 1916—Continued.

Operating expenses.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.	Per kill
(o)	(p)	(q)	(r)	(s)	(t)	(u)
\$22,941	81.33	\$1,811	\$1,414		24	.....
22,058	79.51	667	3,786	\$3,500	31	.....
8,419	73.97	377	2,451	1,810	24	.....
19,702	74.21	625	5,047	4,500	21	.....
31,998	91.92	316	2,232		19	.....
26,036	63.86	1,722	13,011	12,960	31	.....
18,854	84.06	585	3,778		22	.....
44,483	64.47	4,662	14,590	14,000	43	.....
22,683	65.75	2,173	9,644	8,321	30	.....
8,447	69.27	710	3,038		16	.....
10,329	89.24	107	1,035	7,340	11	.....
23,414	67.74	1,091	9,759	4,400	22	.....
18,327	72.70	702	5,208	4,774	25	.....
16,264	66.56	397	7,099	6,222	16	.....
7,863	78.08	251	893		7	.....
14,442	85.57	463	1,499		21	.....
13,822	79.11	478	2,285		14	.....
6,570	62.87		3,959	3,698	12	.....
3,357	118.21	79	596	700	7	.....
7,021	65.19	287	3,452	2,400	13	.....
13,877	45.42	709	17,093	3,115	22	.....
33,040	60.66	3,228	555		34	.....
8,476	72.94	242	2,959	1,200	9	.....
23,026	71.69	1,048	5,913	4,733	32	.....
11,325	83.86	199	1,250		10	.....
10,683	70.83	597	690		19	.....
20,347	79.49	1,502	2,932		46	.....
14,617	66.93	805	4,775	3,798	22	.....
67,713	63.49	4,286	22,743	7,800	107	.....
47,394	62.22	4,780	19,832	66,000	53	.....
18,452	92.45	217	1,290		13	.....
6,800	56.46	330	4,352	2,400	9	.....
9,948	85.54	548	153	60	14	.....
77,578	63.06	4,568	34,350	12,123	88	.....
8,697	74.72		2,806	3,750	34	.....
9,898	69.76	173	3,774	3,198	17	.....
13,658	81.52	289	2,124	1,500	18	.....
13,973	64.37	505	5,609	8,119	21	.....
49,971	76.48	4,369	4,745	1,239	46	.....
7,207	63.44	285	3,667	1,794	12	.....
7,024	54.72	282	5,530	1,800	9	.....
8,334	75.70	507	2,117	1,600	16	.....
8,229	56.82	700	4,643	7,671	15	.....
24,839	59.53	2,863	12,901	6,901	23	.....
16,622	73.77	505	5,838	2,750	21	.....
64,802	68.82	2,517	25,964	12,919	77	.....
14,513	86.60	447	1,643	3,180	14	.....
21,731	92.33	544	1,260		21	.....
10,379	85.24	384	1,258	1,000	11	.....
16,716	69.64	1,199	4,542	1,500	24	.....
7,545	70.19	335	2,826	1,628	10	.....
8,143	82.86	539	997		11	.....
29,341	55.85	6,341	23,099		50	.....
17,495	56.05	1,847	11,177	12,564	19	.....
7,983	69.89	296	3,129	2,320	11	.....
10,792	81.24	339	1,805	442	21	.....
11,957	81.03	347	2,705	2,520	15	.....
10,405	73.23	667	3,137	750	12	.....
11,519	43.90	718	9,505	3,750	17	.....
42,068	56.81	1,640	22,778	10,000	46	.....
24,420	57.50	1,556	16,497	6,917	29	.....
122,229	64.33	7,856	37,253	39,828	160	.....
11,059	86.68	438	2,794		14	.....
30,452	84.22	1,334	1,054		46	.....
13,163	69.33	464	2,961	1,000	19	.....
25,498	98.18	1,997	1,581		27	.....
7,945	60.80	638	4,170	1,400	10	.....
9,188	81.85	468	1,352	776	14	.....
13,768	74.46	575	3,298	2,441	17	.....
11,723	58.51	622	7,134	4,471	17	.....
36,717	118.99	1,485	46,253	39,054	51	.....
18,582	67.31	1,181	344		29	.....
11,573	62.12	889	6,316	3,200	16	.....
36,719	56.17	3,374	5,631	5,510	34
8,707	84.53	354	1,188	1,500	10
14,998	75.42	954	1,844		18

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Dec. 31, 1916—Continued.

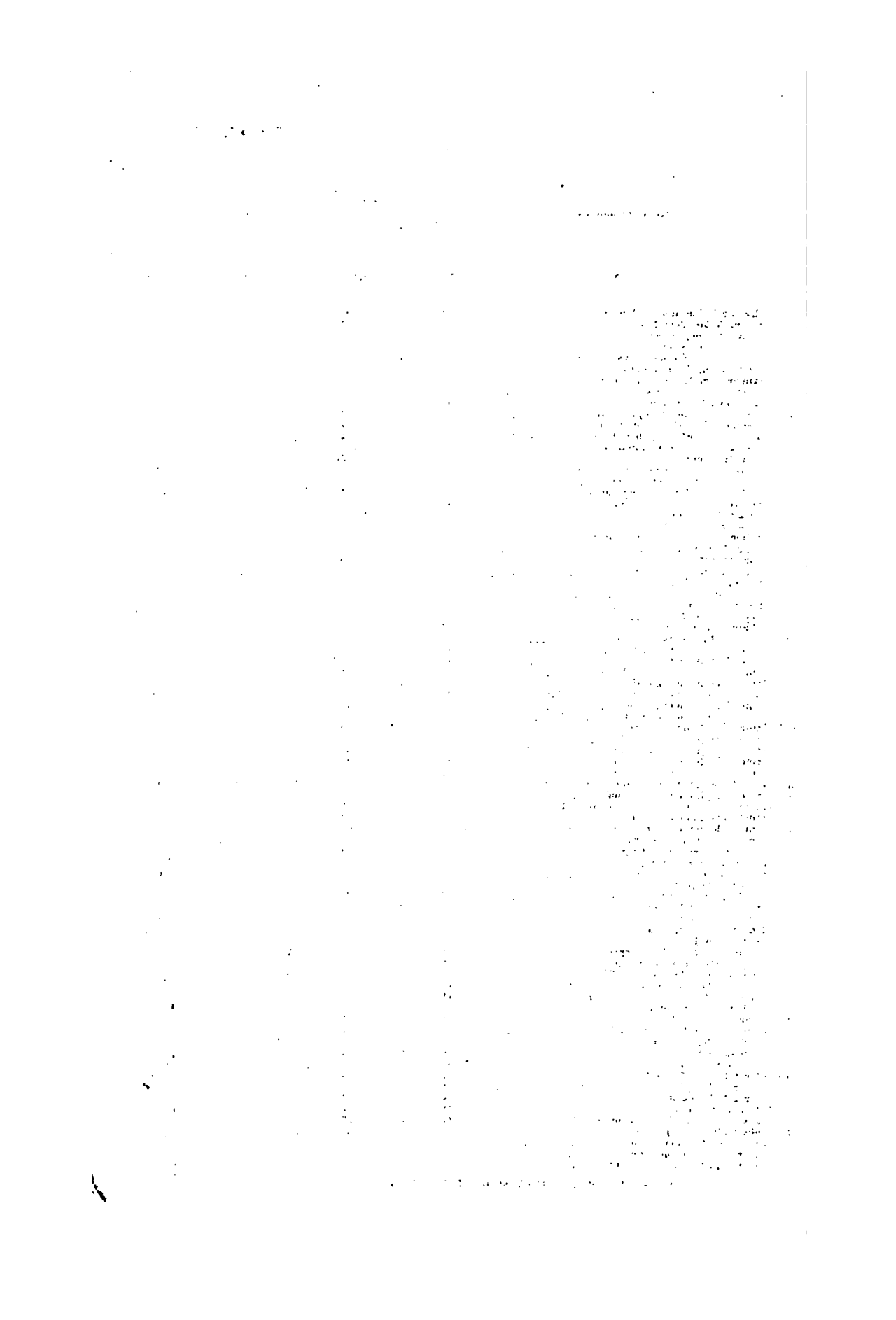
Rating Rank.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employ- ees in service.	Casualties	
						Persons killed.	Persons injured.
(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)
\$17,284	69.40	\$1,784	\$3,730	100 \$36,500	21	.....	.....
9,006	65.38	897	3,719	2,400	14	.....	.....
19,288	60.36	2,279	10,594	7,500	26	.....	.....
35,005	72.04	3,522	1,984	.....	54	1	.....
17,346	80.06	494	2,173	.....	26	.....	.....
26,509	62.52	2,103	9,587	12,100	36	.....	.....
19,323	77.75	(145)	4,759	4,400	49	.....	.....
8,566	68.28	650	3,330	3,250	11	.....	.....
37,213	70.92	1,242	11,948	7,532	31	.....	.....
7,443	66.12	564	2,394	.....	11	.....	.....
7,210	67.94	210	3,121	.....	15	.....	.....
10,344	62.68	411	4,028	6,290	14	.....	.....
9,847	89.53	395	52	.....	14	.....	.....
7,866	64.05	783	3,563	2,061	14	.....	.....
30,128	104.46	549	6,611	.....	48	.....	.....
10,097	64.48	466	4,840	.....	13	.....	.....
11,736	79.22	426	925	.....	25	.....	.....
54,217	69.62	729	8,886	6,789	182	.....	.....
613,876	55.97	237,648	1,031,263	828,335	1,606	.....	.....
13,396	82.48	546	2,233	984	19	.....	.....
23,781	78.93	754	4,903	5,500	33	.....	.....
23,902	69.82	1,295	8,556	5,000	32	.....	.....
9,633	73.70	538	3,454	.....	12	.....	.....
571,897	61.55	61,509	275,856	231,105	576	1	.....
34,923	107.46	1,633	30,774	.....	34	.....	.....
47,432	85.19	3,879	16,553	.....	44	.....	.....
10,820	88.65	553	743	2,458	14	.....	.....
32,006	77.69	2,389	3,934	4,467	43	.....	.....
23,472	110.03	.....	2,110	3,100	21	.....	.....
36,533	74.95	3,095	8,682	5,682	50	.....	.....
21,535	78.95	860	3,491	3,491	30	.....	.....
12,233	84.16	341	1,322	.....	19	.....	.....
34,272	85.93	878	4,342	6,543	36	.....	.....
70,761	95.09	1,046	8,876	.....	79	(145)	.....
91,711	51.07	12,000	41,125	17,340	129	.....	.....
13,899	81.20	321	2,897	.....	51	.....	.....
7,323	54.85	405	5,841	.....	8	.....	.....
10,597	84.78	275	1,137	2,667	16	.....	.....
13,526	100.39	159	595	.....	10	.....	.....
3,109	74.26	361	711	3,500	17	.....	.....
7,319	48.55	739	3,378	987	12	.....	.....
51,280	93.61	3,293	1,479	10,000	64	.....	.....
35,811	94.86	537	211	4,956	50	.....	.....
10,488	71.24	732	3,501	3,000	18	.....	.....
81,384	68.35	1,821	22,629	78,750	75	.....	.....
9,415	85.92	318	1,225	1,000	10	.....	.....
49,216	72.34	2,550	12,819	20,510	30	.....	.....
23,551	106.63	1,817	7,538	.....	25	.....	.....
16,936	67.60	1,189	6,336	6,492	24	.....	.....
15,053	78.65	771	2,742	2,100	22	.....	.....
19,164	58.56	1,036	13,900	3,000	24	.....	.....
69,020	67.53	3,089	13,003	2,964	112	.....	.....
56,399	71.75	2,393	7,167	403	110	.....	.....
15,861	99.80	(162)	(162)	2,219	19	.....	.....
25,807	60.77	2,845	12,717	10,699	32	.....	.....
26,659	84.47	1,002	3,901	.....	23	.....	.....
31,027	75.88	1,392	6,119	.....	35	.....	.....
20,021	71.78	1,802	4,569	7,605	19	.....	.....
289,613	62.93	10,980	50,240	.....	402	.....	.....
26,743	72.14	1,772	7,154	.....	47	.....	.....
8,774	53.57	874	4,607	2,965	15	.....	.....
13,557	79.76	240	3,385	.....	23	.....	.....
44,503	63.72	4,432	12,471	9,390	56	.....	.....
8,956	76.27	444	1,601	1,500	13	.....	.....
8,638	59.95	1,007	4,764	.....	15	.....	.....
6,851	63.24	260	2,114	.....	10	.....	.....
20,174	52.49	684	16,727	.....	26	.....	.....
9,613	55.43	1,235	5,986	4,038	18	.....	.....
30,205	72.62	1,080	10,568	6,000	39	.....	.....
13,548	63.43	720	7,900	7,192	11	.....	.....
13,375	86.67	309	4,251	2,335	13	.....	.....
441,981	66.07	26,171	130,065	93,961	350	.....	.....
9,877	60.56	775	5,657	5,657	10	.....	.....
8,982	71.63	442	2,945	2,500	11	.....	.....
93,057	35.53	31,349	81,609	79,600	101	.....	.....
12,472	77.95	551	2,881	5,000	14	.....	.....

Dec. 31, 1916—Continued.

Operating expenses.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.	Pers. kill
(o)	(p)	(q)	(r)	(s)	(t)	(u)
\$67,280	71.89	\$3,044	\$19,462	8,881	103	.....
13,228	74.87	187	4,047	1,516	24	.....
5,735	75.04	254	1,916	.....	7	.....
19,017	71.13	333	6,718	2,400	23	.....
26,139	71.99	1,103	5,207	.....	36	.....
42,997	75.60	2,829	14,169	.....	35	.....
34,359	64.50	1,409	14,167	.....	37	.....
34,893	73.81	840	9,350	7,720	36	.....
13,207	78.64	1,056	2,223	1,760	41	.....
7,682	63.87	250	4,096	18,000	7	.....
11,506	70.80	542	4,204	3,380	19	.....
20,443	77.54	407	4,072	2,792	26	.....
36,314	71.80	1,160	8,134	8,000	40	.....
35,623	80.62	896	5,010	.....	47	.....
8,702	62.35	941	3,645	3,000	13	.....
22,284	83.84	728	2,133	1,980	44	.....
17,037	88.25	704	1,565	2,400	17	.....
14,688	62.72	710	7,625	4,856	18	.....
28,576	83.60	801	4,688	2,236	41	.....
13,480	91.40	720	942	4,454	14	.....
32,072	68.69	733	12,845	.....	47	.....
24,004	67.74	1,498	10,699	6,000	21	.....
15,387	109.94	725	565	.....	24	.....
18,338	76.09	517	5,230	2,626	15	.....
24,469	68.57	960	10,264	5,950	22	.....
18,727	81.47	385	3,526	1,360	22	.....
4,248	55.93	61	2,986	2,450	7	.....
9,283	74.16	277	2,958	3,000	12	.....
7,288	49.89	812	6,507	6,000	13	.....
7,217	60.01	135	4,453	900	11	.....
10,073	66.26	1,122	4,226	4,062	13	.....
20,381	72.69	712	6,428	3,548	13	.....
46,759	66.98	4,359	15,763	9,200	43	.....
14,712	73.74	229	4,167	2,796	13	.....
25,468	89.76	805	144	.....	20	.....
7,088	51.79	717	18,628	30,000	16	.....
6,897	60.06	749	4,710	4,320	2	.....
7,023	56.23	252	4,888	.....	8	.....
28,112	77.40	2,333	5,797	4,792	21	.....
18,444	95.32	858	1,869	.....	18	.....
23,024	72.93	1,453	6,973	5,686	33	.....
14,805	78.00	136	3,651	.....	29	.....
17,657	67.58	818	7,017	1,600	27	.....
10,711	80.56	127	2,651	1,600	25	.....
35,916	68.30	2,540	10,940	4,434	36	.....
33,888	64.83	1,338	13,298	13,298	45	.....
13,521	66.65	777	5,947	2,700	21	.....
11,563	77.86	328	3,036	2,726	13	.....
17,355	79.72	433	3,444	.....	22	.....
15,083	83.41	218	1,890	1,193	16	.....
27,279	80.13	694	5,590	.....	40	.....
13,430	55.39	490	11,477	4,800	17	.....
142,135	66.34	8,622	51,631	40,500	150	.....
707,013	60.89	54,013	28,106	28,110	924	.....
341,258	66.82	33,727	48,292	.....	316	.....
26,219	88.81	1,101	2,644	4,000	28	.....
7,587	64.26	555	3,606	2,500	15	.....
11,490	87.15	845	1,047	681	16	.....
68,368	76.87	2,940	11,663	13,888	66	.....
9,558	82.69	.....	2,000	1,715	11	.....
27,492	52.66	1,582	10,706	.....	23	.....
12,585	115.18	189	7,809	.....	14	.....
6,922	44.71	197	7,868	1,452	11	.....
31,046	70.89	2,465	10,612	7,500	39	.....
24,628	60.10	1,351	15,000	10,000	30	.....
43,849	67.41	2,593	14,486	8,633	60	.....
4,329	62.01	71	2,103	1,400	.....	.....
33,882	101.91	1,868	5,781	.....	36	.....
62,202	69.34	1,614	11,071	7,500	71	.....
9,559	58.93	1,306	5,104	5,256	17	.....
9,390	79.83	332	1,939	1,500	9	.....
7,230	58.79	551	4,517	.....	11	.....
12,753	70.37	500	4,323	.....	22	.....
16,076	82.73	358	2,596	.....	13	.....
7,707	68.59	574	1,816	1,800	17	.....
149,730	73.21	12,928	25,219	24,000	164	.....
16,962	96.46	109	514	.....	23	.....

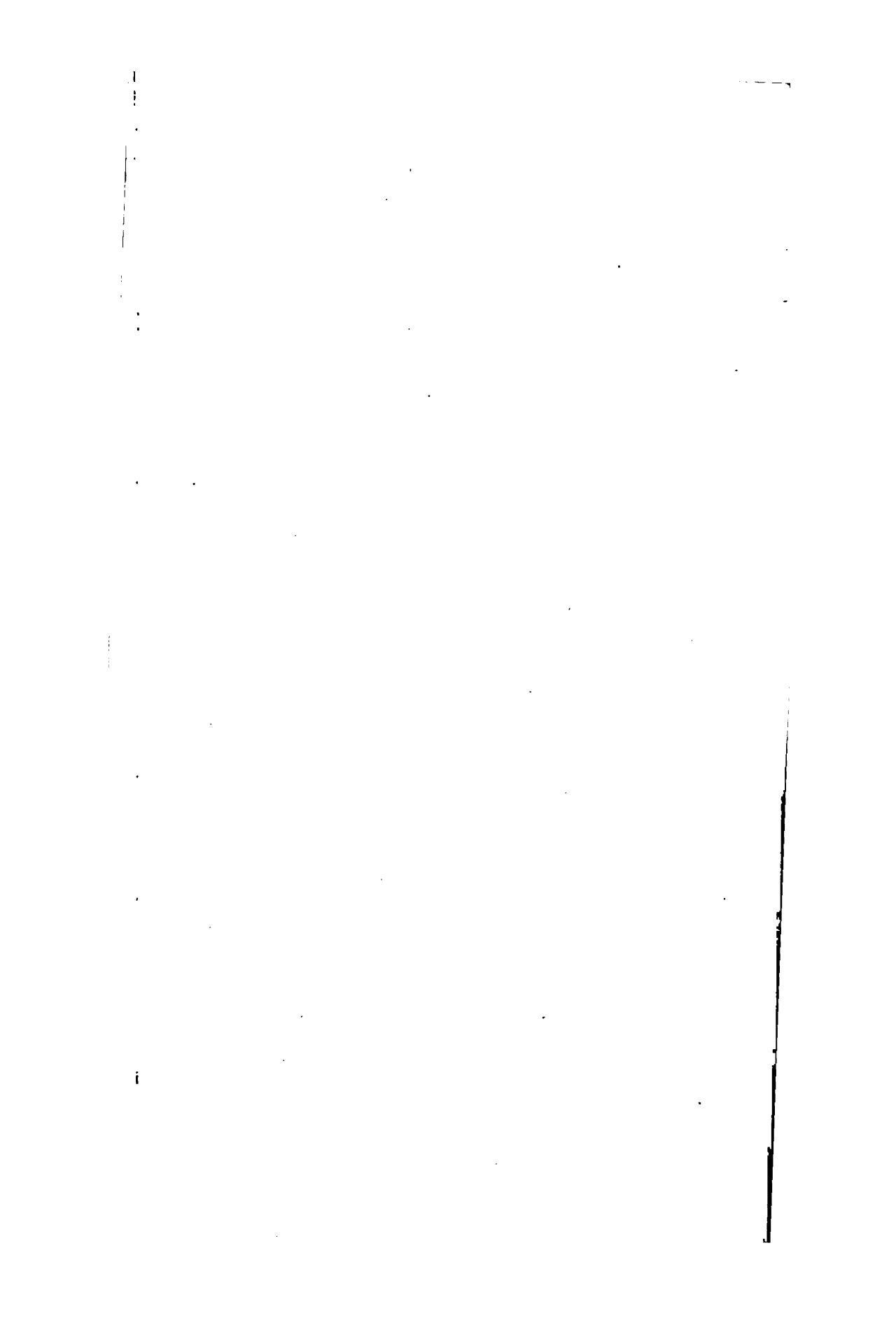
c. 31, 1916—Continued.

Ranking nos.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employ- ees in service.	Casualties	
						Persons killed.	Per injt
	(p)	(q)	(r)	(s)	(t)	(u)	(v)
701	71.88	\$316	\$3,068	-----	10	-----	-----
858	76.92	840	1,700	-----	10	-----	-----
684	68.35	919	6,175	\$3,594	18	-----	-----
969	62.68	143	3,103	-----	8	-----	-----
006	66.88	288	3,185	-----	8	-----	-----
297	78.49	705	1,826	2,745	13	-----	-----
526	94.03	237	9	-----	13	-----	-----
520	70.97	1,644	5,420	4,800	32	-----	-----
318	72.82	136	3,760	-----	8	-----	-----
786	57.62	5,918	22,456	20,836	58	-----	-----
502	80.01	600	2,266	2,189	14	-----	-----
856	70.27	754	4,603	-----	43	-----	-----
291	74.36	3,256	810	5,730	50	-----	-----
183	70.85	553	3,958	3,900	21	-----	-----
609	70.72	667	5,908	2,820	17	-----	-----
170	72.83	603	4,312	1,000	15	-----	-----
741	78.05	2,009	4,741	3,488	42	-----	-----
660	70.53	468	2,831	960	31	-----	-----
784	59.85	2,936	33,132	7,000	73	-----	-----
955	69.65	1,926	10,209	6,428	37	-----	-----
359	85.99	817	815	1,400	15	-----	-----
094	71.54	338	2,764	3,200	13	-----	-----
621	70.77	400	2,924	1,743	16	-----	-----
321	83.74	122	1,870	-----	(18)	-----	-----
915	79.76	289	2,735	1,440	12	-----	-----
394	65.06	816	4,065	2,648	23	-----	-----
223	67.09	700	4,737	2,377	21	-----	-----
405	73.12	193	1,951	1,008	13	-----	-----
303	63.64	193	4,550	2,700	14	-----	-----
458	68.27	176	3,996	1,885	9	-----	-----
065	80.55	1,872	5,470	-----	45	-----	-----
103	74.39	809	2,498	1,500	19	-----	-----
426	71.99	2,165	11,602	6,000	49	-----	-----
553	65.48	7,521	9,498	-----	230	-----	-----
456	74.82	4,205	12,265	7,800	67	-----	-----
819	89.87	1,048	860	-----	22	-----	-----
148	73.01	1,100	971	2,015	10	(18)	(18)
765	85.61	642	247	480	13	1	-----
398	60.28	600	10,381	4,500	34	-----	-----
967	91.53	1,544	7,081	-----	39	-----	-----
357	62.61	2,225	7,399	7,399	27	-----	-----
581	62.58	4,078	30,494	-----	74	-----	-----
632	60.82	4,917	11,838	-----	67	-----	-----
575	62.78	653	3,514	-----	16	-----	-----
083	80.79	1,032	3,274	3,600	30	-----	-----
590	70.14	1,223	2,863	1,664	14	-----	-----
749	55.21	20,538	114,369	88,705	211	-----	-----
512	87.13	627	2,683	3,296	17	-----	-----
963	70.27	2,965	4,983	4,767	32	-----	-----
511	65.09	478	5,336	-----	12	-----	-----
508	66.18	240	6,409	-----	16	-----	-----
081	81.53	793	1,434	-----	187	25	-----
114	60.01	-----	2,005	-----	125	-----	-----
200	53.44	627	17,656	-----	55	-----	-----
445	89.48	180	876	-----	10	-----	-----
708	68.36	476	3,182	3,584	11	-----	-----
231	76.26	1,268	16,787	13,572	105	-----	-----
706	127.81	6,832	91,601	-----	130	(18)	(18)
581	78.75	324	1,993	-----	13	-----	-----
480	48.63	34,051	110,521	75,050	454	1	-----
033	61.92	1,740	7,767	1,785	25	-----	-----
057	83.90	1,165	3,591	-----	36	-----	-----
772	59.42	1,074	8,119	1,575	18	-----	-----
306	79.19	774	2,156	-----	12	-----	-----
049	81.37	758	2,206	-----	15	-----	-----
985	73.62	975	4,094	4,401	32	-----	-----
918	74.42	737	25,603	-----	-----	-----	-----
325	62.15	1,815	5,656	-----	27	-----	-----
512	76.52	2,478	7,606	2,528	44	-----	-----
495	62.98	1,663	18,242	16,000	27	-----	-----
622	63.72	9,390	26,818	21,350	130	-----	-----
104	73.20	913	4,922	4,203	19	-----	-----
721	69.35	2,102	9,089	7,496	43	-----	-----
339	74.44	479	1,788	-----	12	-----	-----
993	82.58	686	2,477	1,920	20	-----	-----
744	26.18	545	7,563	6,000	23	-----	-----
432	82.22	138	2,305	-----	23	(200)	(200)



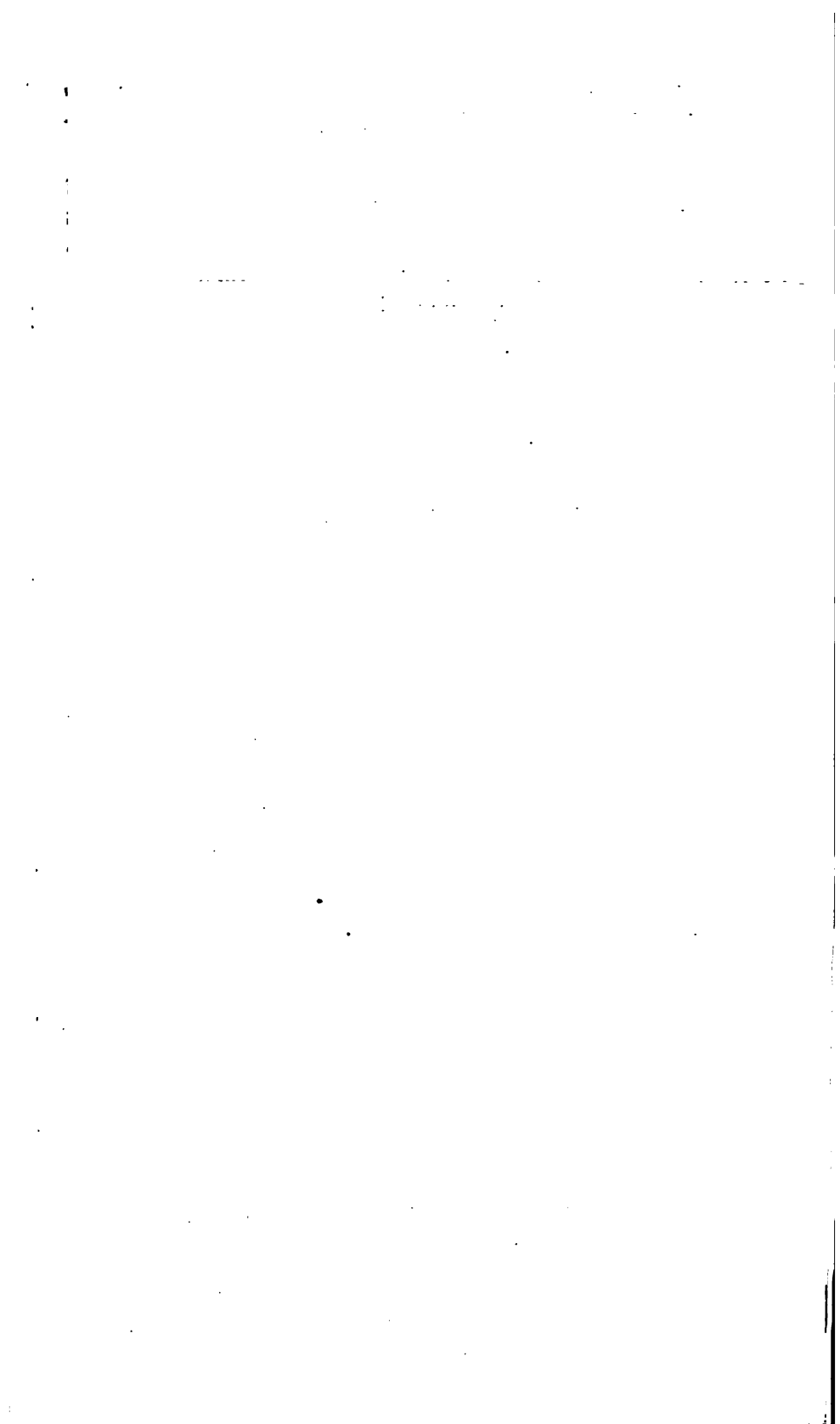
Dec. 31, 1916—Continued.

Number.	Rating bases.	Operat- ing ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employ- ees in service.	Cash	
							Persons killed.	
	(o)	(p)	(q)	(r)	(s)	(t)	(u)	
1	Jeffers	22,843	78.81		\$4,226	\$1,695	30	
2	Jeffers	26,944	81.81	\$802	5,187	8,400	21	
3	Jeffers	11,530	56.94	1,551	3,818	4,222	17	
4	Jenn	7,560	66.39	417	2,981	3,200	20	
5	Jerse	17,711	116.04	300	3,682	1,000	13	
6	Jewe	14,588	69.39	963	4,990	4,200	20	
7	John	14,423	62.77	523	7,516	5,678	27	
8	John	73,427	35.76	9,843	108,060	112,000	144	
9	John	10,181	70.00	821	3,225	3,225	11	
10	June	19,346	76.38	1,288	252		17	
11	Kan	22,835	53.47	2,648	8,375		30	
12	Kan	781,427	53.91	77,914	490,556	570,000	1,065	
13	Ka	170,947	59.02	12,999	47,988	50,000	134	
14	Ka	14,297	72.40	1,714	7,463		19	
15	Kat	12,901	66.66	376	5,897	5,000	16	
16	Kea	27,375	79.68	600	2,608	2,035	33	
17	Kee	12,582	91.94	720	82		19	
18	Ken	7,756	61.17	352	4,571		8	
19	Ken	30,772	67.33	3,272	11,368	10,500	29	
20	Kerr	37,601	60.05	3,723	20,707	14,500	24	
21	Kew	34,845	73.94	1,035	3,495		58	
22	Key	702,383	54.23	50,600	83,598		812	
23	Ca	9,980	63.30	1,200	4,837		(11)	
24	Ed	105,329	61.39	8,500	16,400		93	
25	Kin	78,640	59.20	3,874	27,918	10,360	104	(200)
26	Kin	904,783	57.39	93,403	311,771	223,200	889	1
27	Se	20,397	97.95	1,332	6,696		21	
28	Su	39,790	103.57	966	14,148		38	
29	Kitt	53,239	56.31	3,142	35,353	19,069	108	
30	Knk	11,153	80.54	300	1,175		14	
31	La	74,968	76.27	2,752	18,196	15,517	102	
32	La	17,977	79.25	567	1,498	1,311	14	
33	La	71,945	64.83	4,400	26,734	20,000	71	
34	La	8,770	93.88	299	559		28	
35	La	426	76.17	458	1,690	2,100	16	
36	La	451	64.89	4,129	21,791	21,492	53	
37	La	74	71.46	986	2,982	2,994	18	
38	Lafaye	6	65.83	909	6,049	875	17	
39	Lana	72.77	86	1,352	2,478		18	
40	Lancas	69.51	214	3,221			10	
41	Le Roy	77.38	421	1,495	1,254		14	
42	Lead Be	74.63	880	7,200	5,999		29	
43	Lebanon	85.69	365	329	450		26	
44	Lenawee	57.06	4,625	26,315	15,000		49	
45	Lexington	79.67	355	2,008			21	
46	Liberty	79.73	477	2,086	975		15	
47	Liberty	70.51	590	1,971	1,800		15	
48	Lidgerwood	9.57	709	4,441	1,500		7	
49	Lima Tele	5.66	11,967	42,893	45,182		110	
50	Lincoln Tele	.07	60,666	360,278	318,432		1,062	
51	Lincoln Ma	73	168	1,092			8	
52	Lineville Te	24	333	4,644	1,600		21	
53	Livingston	3	(200)	2,383			26	
54	Local Tele		201	942	2,880		24	
55	Local Tele		7,385	37,665	26,447		102	
56	Bellevue		1,777	10,271	4,736		19	
57	Logan Home		1,364	9,020	5,824		24	
58	Logansport		4,047	12,952	10,500		87	
59	Lookingglass		216	4,149	1,000		18	
60	Los Gatos Tele		622	3,762	1,911		10	
61	Louisville Hor		43,715	142,230	91,700		511	
62	Lynn Local Tele		760	4,324	2,750		19	
63	Macomb Tele		764	5,691			21	
64	Macon Tele		488	4,722	3,840		18	
65	Macon County		263	8,704	5,250		32	
66	Macoupin Coun		776	1,960	3,600		22	
67	Macoupin Tele		1,122	8,653			14	
68	Mangum Tele		638	3,302	1,000		10	
69	Manistique Tele		636	26,066	11,572		39	
70	Mankato Citizena		265	3,170	5,000		6	
71	Manning Tele		476	27,757	15,964		90	
72	Mansfield Tele		96	1,817			18	
73	Marion & North		14	28,578	19,122		75	
74	Marion County Tele		30,956	4,851	3,960		29	
75	Marion County Ele		12,273	4,345			9	
76	Marselles Tele		17,983	564			19	
76	Marshfield Tele							



Dec. 31, 1916—Continued.

Operating expenses.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.	P 1
(c)	(d)	(e)	(f)	(g)	(h)	
\$11,247	87.41	\$,285	\$1,218		13	..
14,795	71.78	676	3,972	\$3,106	16	...
7,908	60.26	529	4,590	2,368	13	...
15,042	70.30	1,234	5,121	4,500	18	...
12,460	68.14	691	5,619	4,800	21	...
24,218	63.30	850	7,313	6,000	34	...
10,414	68.10	685	3,569	3,656	13	...
26,821	84.06	733	1,474	89	47	...
27,343	55.05	1,208	17,808	7,593	41	...
9,220	74.04	412	1,613	1,247	15	...
7,098	65.58	136	3,581	1,665	18	...
7,899	63.31	356	5,169	2,450	12	...
64,618	64.85	6,513	25,111	20,236	115	...
8,009	73.92	299	2,627	8,780	10	...
7,631	65.49	117	3,535	2,220	12	...
13,046	75.59	144	2,713	750	24	...
33,212	76.44	484	4,218	2,170	42	...
35,085	70.19	1,318	12,306	2,994	40	...
8,174	79.96	300	1,414		18	...
32,248	63.98	538	13,791	6,250	42	...
14,919	73.34	500	4,846	5,312	13	...
20,288	85.73	354	2,824		23	...
24,689	82.71	1,495	2,538	900	36	...
13,308	69.56	683	3,252	3,893	12	...
8,643	75.67	500	1,634	696	13	...
11,623	68.37	495	4,560	3,650	15	...
7,658	69.78	673	2,073	1,950	9	...
11,004	79.05	157	1,142		12	...
17,589	91.97	97	8,290		15	...
28,209	75.66	1,762	7,324	5,697	35	...
12,334	65.98	413	2,694		15	...
9,940	70.91	951	3,116	2,750	9	...
58,215	71.72	5,074	16,500	16,500	95	...
7,913	86.03	263	1,160	703	8	...
141,809	67.92	3,781	45,124	15,000	212	...
32,033	80.23	720	3,450		23	...
19,496	73.57	510	5,657	3,951	17	...
17,140	60.88	1,568	6,393		28	...
8,125	67.96	536	3,426		9	...
34,278	80.71	438	2,959		57	...
19,415	76.75	494	5,043		15	...
19,765	65.77	1,174	4,628	2,538	13	...
9,233	81.48	712	1,285	937	9	...
16,693	66.25	1,064	7,494	1,365	17	...
30,610	45.66	4,139	30,551	16,800	61	...
11,868	102.31	195	1,272	750	11	...
60,915	57.43	7,730	28,136	21,584	114	...
29,997	80.65	1,208	6,033	6,059	20	...
22,965	56.53	1,141	16,155	8,000	29	...
17,560	60.10	983	10,721	6,000	22	...
12,800	69.09	349	5,377	2,800	25	...
13,809	65.75	464	6,285		45	...
15,266	66.07	678	6,663	4,500	26	...
27,683	56.36	2,795	(282)		23	...
34,838	53.52	1,781	23,074	15,856	59	...
26,050	103.34	603	5,048		38	...
15,379	88.44	319	1,692	1,831	11	...
30,658	55.62	4,100	(282)	(282)	36	...
22,080	70.58	1,710	7,594	7,795	22	...
26,344	74.41	1,070	4,365	2,750	28	...
44,919	68.19	2,371	16,313	12,510	64	...
48,042	78.46	2,810	171		63	...
14,545	110.08	508	5,890		13	...
16,550	67.47	1,538	6,441	6,180	20	...
13,718	78.27	577	3,581	6,720	14	...
12,441	54.04	1,085	5,632	1,200	22	...
16,467	96.94	657	1,001	1,778	10	...
12,410	72.41	765	3,964	3,701	19	...
2,354,374	66.21	239,010	343,993	328,222	2,820	...
14,853	70.18	1,531	1,456		21	...
15,391	85.92	863	131	900	18	...
48,761	65.30	2,165	23,508	5,306	57	...
14,030	94.61	551	91		32	...
8,957	84.18	217	1,466	1,466	11	...
32,545	77.52	1,617	4,088		34	...
5,367	64.62	292	1,833		16	...
28,678	68.91	2,283	6,267	8,000	33	...



Dec. 31, 1916—Continued.

Operating expenses.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.
(o)	(p)	(q)	(r)	(s)	(t)
\$10,517	83.73	\$628	\$719	\$800	15
8,380	70.17	378	3,291	2,370	22
20,977	74.38	1,079	5,639	4,800	22
20,898	74.56	419	5,557		22
10,796	93.84	691			12
19,140	75.91	1,071	2,905		16
204,532	61.49	13,354	58,609	19,965	163
11,278	85.22	251	1,704	727	9
41,066	96.36	1,396	2,988	3,984	41
15,829	72.69	1,054	5,118	3,129	20
20,248	62.04	1,775	8,277	6,000	37
17,527	77.32	581	4,176	3,054	22
62,221	58.35	2,468	37,599	3,831	120
9,686	73.06	402	2,610	2,400	15
7,918	73.46	189	1,242	969	13
66,742	61.84	5,668	30,052	3,600	71
23,181	84.51	213	3,264		44
14,704	77.02	359	3,855	3,855	17
15,115	62.09	1,147	2,973		16
17,656	81.74	1,091	2,447		21
12,424	95.93	173	246		18
10,305	67.06	502	5,796	2,002	29
71,689	65.02	4,481	32,066	8,000	86
79,475	53.67	5,362	50,694	26,535	134
21,867	83.72	451	2,253	3,000	22
22,180	68.53	444	5,592	3,222	33
19,753	58.30	511	5,912		38
27,100	73.47	2,331	2,525	600	46
25,933	76.20	580	3,678		36
419,848	76.39	16,207	38,247		426
20,145	70.29	584	6,884	3,534	47
41,005	71.61	1,085	11,885	10,915	60
15,226	82.26	356	3,094		17
9,510	78.70	432	2,006	1,200	14
22,151	70.58	623	8,760	4,896	24
10,621	59.42	302	6,694	2,000	31
15,236	81.00	933	1,674		17
7,447	59.23	442	4,704	3,300	8
19,167	60.89	1,800	9,905	3,900	24
9,406	89.00	541	6	4,113	10
19,565	81.84	603	3,498	2,100	18
37,288	58.12	3,527	18,040	5,850	59
58,741	63.22	6,435	20,187	5,634	62
10,994	101.36	830	20,778		15
16,022	85.30	401	1,261		22
9,417	68.24	750	3,379	910	13
15,282	69.42	651	5,748	3,200	18
8,327	63.68	495	11,972	26,000	10
164,207	62.58	10,021	2,859		246
21,852	72.75	1,100	4,592		(14)
10,193	70.32	584	3,258	1,121	18
12,214	74.13	185	3,458		17
11,441	92.92	192	1,094		26
11,514	62.18	92	9,144		16
24,137	58.05	1,651	15,507	10,488	26
18,071	65.04	902	9,052	6,560	16
10,318	61.10	668	5,865	2,400	10
14,040	78.55	530	2,353		22
12,188	79.47	414	2,735	3,652	11
11,818	70.31	454	4,600	1,265	13
12,128	112.52	339	1,883	6,250	13
54,824	55.62	5,143	18,291	15,806	43
13,325	99.19	655	16,557	720	16
9,731	58.37	436	6,505	4,499	25
15,487	64.16	770	6,815	2,560	22
39,021	70.69	1,971	12,226		34
23,710	63.23	959	9,075	8,177	31
15,235	79.87	639	9,400	400	11
31,809	65.64	859	15,236	7,387	41
39,572	76.79	3,041	6,116		51
11,872	97.46	300	687		11
11,557	76.85	720	478		11
9,439	60.27	242	4,068		11
12,302	81.46	388	2,412	2,412	21
18,732	57.57	1,278	11,414		11
11,087	65.39	700	5,046	3,000	11
6,186	53.78	477	3,779	1,538	11
9,298	78.54	337	1,250	996	11

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Dec. 31, 1916—Continued.

Rating expenses.	Operat- ing ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employ- ees in service.	Cases
						Persons killed.
(o)	(p)	(q)	(r)	(s)	(t)	(u)
\$8,101	62.01	\$334	\$4,537	\$1,616	10	-----
6,708	52.38	441	5,658	3,910	9	-----
13,190	60.44	1,288	5,275	3,000	16	(244)
69,008	58.90	4,500	34,914	8,000	78	-----
9,795	68.49	661	3,598	11,900	13	-----
10,187	53.30	1,233	5,591	1,463	32	-----
19,206	102.40	166	1,966	-----	17	-----
17,422	79.70	619	4,361	4,000	16	-----
7,461	71.20	112	2,641	2,400	10	-----
11,955	81.11	499	246	-----	16	(244)
10,733	50.62	543	8,474	8,000	24	-----
9,409	74.85	360	2,321	-----	17	-----
24,568	85.32	1,529	2,189	4,500	21	-----
19,194	96.35	401	2,929	-----	22	-----
10,599	92.79	(244)	(244)	-----	4	-----
10,568	96.74	204	246	1,874	18	-----
9,546	68.59	753	3,199	-----	12	-----
36,174	75.44	2,428	1,509	-----	38	-----
24,550	73.00	1,724	6,324	5,550	30	-----
24,691	79.67	804	2,576	2,414	34	-----
8,991	82.09	355	1,606	1,606	9	-----
17,392	50.93	1,102	11,227	4,800	42	-----
75,847	43.69	11,686	39,111	27,216	101	-----
7,597	64.88	503	2,567	1,500	13	-----
11,358	40.23	331	10,875	316	11	-----
27,735	82.14	760	4,000	4,000	36	-----
30,082	89.67	247	2,663	-----	33	-----
16,434	88.07	860	1,923	-----	29	-----
11,009	68.13	517	3,893	2,400	14	-----
17,981	87.45	357	2,245	2,500	20	-----
20,631	75.60	905	4,685	2,904	33	-----
21,335	112.16	862	3,118	3,900	10	-----
102,272	93.61	15,055	47,345	-----	125	-----
196,325	73.15	194,075	809,067	700,000	3,620	2
13,050	67.18	555	947	-----	6	-----
10,227	83.79	359	1,683	640	9	-----
93,275	71.46	8,522	3,750	-----	133	-----
28,560	72.06	1,448	5,408	22,750	28	-----
21,502	97.63	675	1,812	-----	28	-----
18,964	84.90	726	1,647	-----	19	-----
70,514	67.74	5,592	24,553	10,125	95	-----
8,527	71.52	288	3,106	1,512	18	-----
10,175	63.82	500	5,066	1,500	10	-----
10,614	69.92	468	3,324	1,875	14	-----
67,367	73.37	2,589	10,709	9,000	51	-----
5,367	59.95	382	3,305	-----	8	-----
2,412	60.35	40	1,004	-----	8	-----
10,697	82.51	400	1,867	2,400	12	-----
30,491	76.60	810	5,876	4,524	28	-----
51,638	75.45	2,965	1,832	-----	63	-----
11,661	75.12	953	608	-----	11	-----
9,939	69.73	511	3,615	3,500	15	-----
22,108	71.71	1,231	7,287	7,500	27	-----
15,447	112.37	542	2,645	-----	22	-----
12,448	54.64	796	8,738	1,600	16	-----
9,352	81.40	369	2,708	2,000	8	-----
7,609	62.95	821	3,440	2,700	16	-----
58,651	65.22	4,650	11,128	-----	59	-----
58,150	59.12	16,328	47,578	-----	323	-----
61,811	46.46	4,475	25,473	-----	97	-----
7,871	72.48	345	2,643	2,145	(244)	-----
12,151	71.83	1,284	3,481	1,750	18	-----
13,587	93.98	363	507	-----	14	-----
14,117	69.87	957	3,774	-----	26	-----
6,610	53.28	580	5,433	4,122	9	-----
8,135	78.04	470	1,318	1,280	12	-----
24,500	49.93	1,622	21,126	15,240	26	-----
62,143	71.47	1,923	10,359	-----	124	(244)
51,553	66.43	58,123	423,554	134,609	1,620	2
15,670	74.32	660	1,394	797	14	-----
113,147	76.90	721	1,019	-----	13	-----
20,554	78.35	787	1,316	-----	24	-----
125,029	76.04	850	7,038	5,250	24	-----
134,856	75.71	6,022	20,149	33,720	188	1
41,741	73.21	1,534	5,839	-----	59	-----
27,331	78.18	2,090	5,496	7,698	26	-----

No.	Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.	Casualties.	
						Persons killed.	Persons injured.
	(p)	(q)	(r)	(s)	(t)	(u)	(v)
676	73.24	\$285	\$1,012		12		
255	74.67	740	2,475	\$2,493	10		
288	90.46	604	948		(38)	(38)	(38)
211	86.56	6,140	13,580		90		1
768	63.82	15,818	72,957	72,957	172		3
382	75.57	311	5,403	2,500	15		
331	80.43	271	806		11		
326	58.92	2,008	6,917	7,793	18		
124	81.20	1,777	3,113	13,525	24		1
876	87.00	6,250	5,476	21,000	133		
997	79.40	174	658		19	(38)	(38)
298	70.77	998	9,753	4,621	33		3
378	72.21	3,417	46,114		555	1	18
121	66.29	7,730	28,321	21,181	127		4
540	66.53	1,180	5,421	4,528	19		
270	73.47	2,064	4,528	4,500	26	(38)	(38)
323	74.78	643	2,400	2,400	8		
977	75.67	1,962	5,985	5,308	25		
514	66.27	10,830	37,171	35,618	214		7
244	101.65	170	(38)		5		
790	63.56	2,104	10,820	8,000	22		
512	81.55	619	1,041		36		1
566	86.23	216	698	1,500	14		1
323	65.14	1,516	11,835	9,000	73	(38)	(38)
296	64.52	801	3,775	3,900	11		
337	74.95	489	2,356	900	11		
806	68.55	523	3,334	1,750	8		
432	75.45	1,300	3,998	2,880	20		
300	63.94	1,048	12,106	12,000	25		
351	67.60	3,453	13,077	6,322	41		
520	70.09	365	3,492		11		
249	69.39	603	3,208	1,000	11		
117	42.17	662	11,840	9,750	21		1
534	75.21	1,082	4,384	3,200	29		2
660	75.43	775	4,089	4,014	18		
469	47.71	2,049	20,127	12,000	25		1
233	63.90	294	5,592	2,568	24		
338	82.94	1,195	73		30		
483	73.09	906	3,157	1,800	15		
757	58.44	896	10,791	5,000	19		1
969	83.99	978	707	3,126	23		
557	101.21	749	2,181	10,875	23		1
263	72.72	297	2,320	800	10		
568	60.93	4,222	52,546	30,000	118		6
225	61.35	1,058	14,899	7,000	34		2
907	70.47	2,153	13,810	3,000	30		1
610	56.30	802	9,509	4,732	31		
747	60.90	492	4,548	2,560	12		
135	101.74	224	1,083	1,820	14		
124	70.08	410	167	1,101	14		
791	75.56	867	5,156	3,297	27		
258	60.59	2,709	12,515	6,600	32		4
638	73.91	541	2,364	1,150	25		
934	59.38	2,819	16,096	7,769	66		
739	36.53	62	1,122		19		
103	75.21	450	686		6		
476	74.84	360	3,499		11		
778	86.69	365	2,291	1,171	10		
138	79.80	2,665	4,656	9,710	53		
272	65.95	1,448	4,569	2,340	26		1
351	66.74	654	6,667	2,789	23		1
155	73.12	1,065	7,002	3,748	37		3
256	74.65	441	1,840	1,325	11		
683	51.41	345	6,115		18		1
404	60.70	1,201	1,207		34		
415	68.40	797	5,040	2,000	11		
833	46.71	535	4,900		9		
148	54.98	4,283	10,692	7,896	93		

with one other company and

or company.
other company.

¹⁶ Includes 4 miles owned jointly with one other

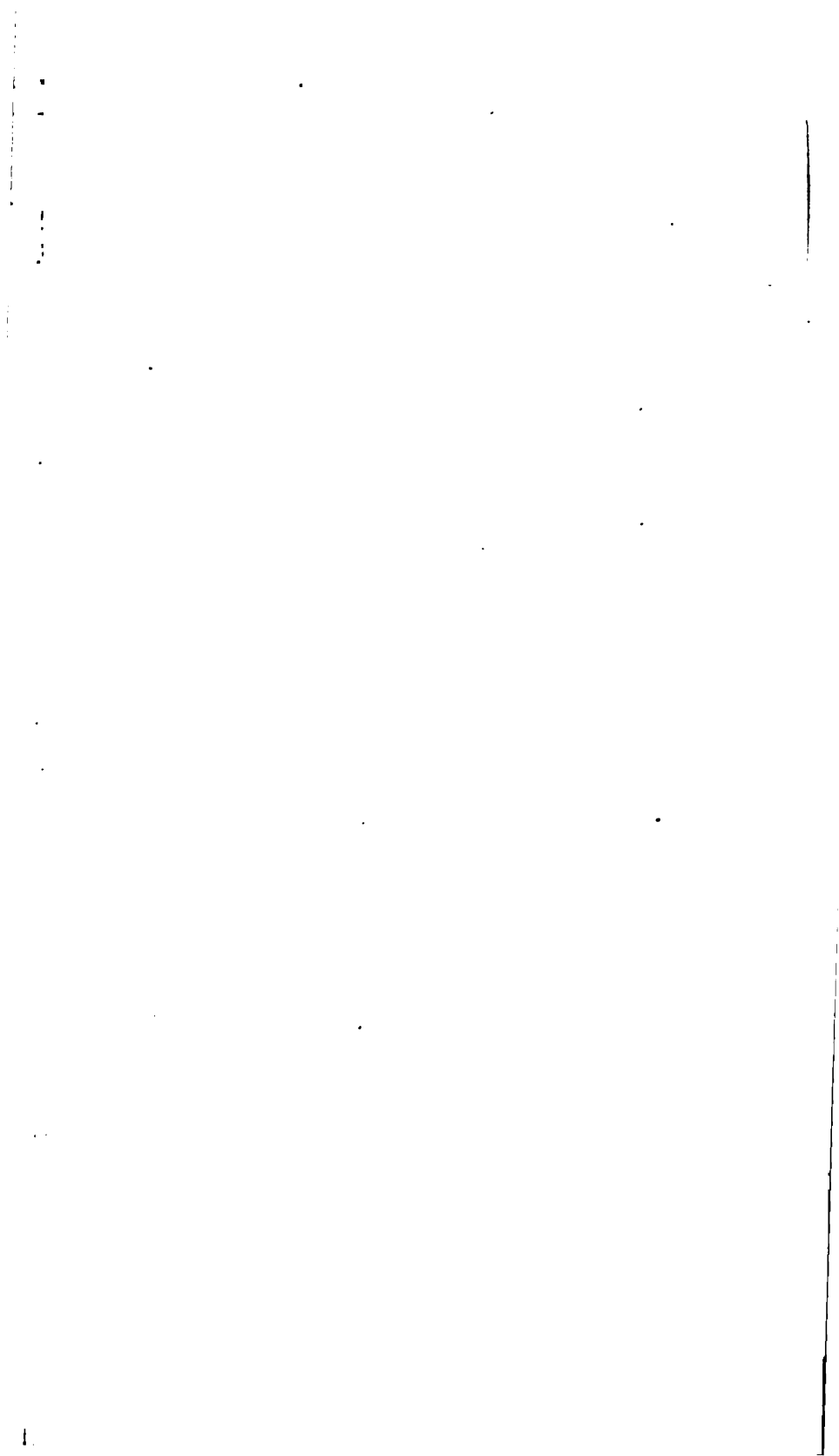
¹⁷ Includes 2 miles owned jointly with one other

¹⁸ Includes 4 private line stations.

¹⁹ Includes 15 miles owned jointly with three oth

²⁰ Includes 31 miles owned jointly with three oth

²¹ Includes 11 miles owned jointly with one other



er company.

Sold to Wyoming & Nebraska
r company.

ent and equipment leased from
10 months ended Oct. 31, 1916.
ne Co.
Property sold to Southern Bell

er company.
Property sold to Lincoln Tele-

roperty sold to Western Electric

er company.

with two other companies and

re Telephone & Telegraph Co.
full year.
ole.

16. Successor to Indianapolis
dis), and New Long Distance

approximately 83½ per cent of com

e Co. of Philadelphia.
stations.

- 222 Not incorporated. Report of individual.
- 223 Represents proprietor's account.
- 224 Not reported.
- 225 Includes 1,290 private line stations.
- 226 Includes \$4,200 stock dividend.
- 227 Report for 11 months ended Dec. 31, 1916.
- 228 Not incorporated. Report of partnership.
- 229 Report for 4 months ended Apr. 30, 1916. Pr
phone Co.
- 230 Report of receiver.
- 231 No assignment of capital to telephone operator
- 232 Results of telephone operations not segregated.
- 233 Includes 10 private line stations.
- 234 Furnishes toll service only. Report for 6 mont
- 235 Represents toll connections furnished.
- 236 Taken from 1915 report.
- 237 Includes 9 miles owned jointly with one other c
- 238 Includes 92 private line stations.
- 239 Excludes wire in aerial and underground cables
- 240 Includes 14 private line stations.
- 241 Report for 3 months ended Mar. 31, 1916. Prop
Telephone & Telegraph Co.
- 242 Includes 12 private line stations.
- 243 Taken from 1915 report.
- 244 Not reported.
- 245 Includes 43 miles owned jointly with one other
- 246 Includes 163 miles owned jointly with one othe
- 247 Includes 37 private line stations.
- 248 Company operates telephones, electric light, an
- 249 Report for 10 months ended Dec. 31, 1916.
- 250 Excludes exchange wire and wire in aerial cabl
- 251 Report for 2 months ended Feb. 29, 1916. Mer
phone Co.
- 252 Includes 49 private line stations.
- 253 Report for 6 months ended June 30, 1916.
- 254 Report for 6 months ended Dec. 31, 1916.
- 255 Not incorporated. Report of partnership.
- 256 Represents proprietor's account.
- 257 Incomplete data for this table.
- 258 Not incorporated. Report of individual.
- 259 Includes 41 private line stations.
- 260 Delaware corporation. Operates exchanges i
Lee Counties, Miss.
- 261 Includes 1,059 miles owned jointly (1,011 mile
and 48 miles with two other companies).
- 262 Includes 98 miles owned jointly with one other
- 263 Includes 288 private line stations.
- 264 Includes 2 private line stations.
- 265 Not reported.
- 266 Includes 4 private line stations.
- 267 Not incorporated. Report of individual for 8:
Property sold.
- 268 Represents proprietor's account.
- 269 Not incorporated. Report of individual for 4 m
- 270 Includes 3 miles owned jointly with one other c
- 271 Taken from 1915 report.
- 272 Includes 37 private line stations.
- 273 Includes 237 private line stations.
- 274 Not incorporated. Report of individual.
- 275 Includes 50 miles owned jointly with one other
- 276 Not incorporated. Report of partnership for
1916. Property sold.
- 277 Report of receiver.
- 278 Includes 36 private line stations.
- 279 Includes 6 private line stations.
- 280 Not incorporated. Report of partnership.
- 281 Represents stock dividend.
- 282 Not reported.
- 283 Includes 1,371 private line stations.
- 284 Report for month of January, 1916. Absorbed
phone Co.
- 285 Property leased to Wilmington & Philadelphia
no report.
- 286 Not incorporated. Report of individual.
- 287 Represents proprietor's account.
- 288 Report for period Jan. 1 to Oct. 1, 1916. Propert
phone Co.
- 289 Not incorporated. Report of partnership.
- 290 Report for 2 months ended Dec. 1, 1916.

year ended Dec. 31, 1916.

Operating ratio.	Taxes assignable to operations.	Net income.	Dividends declared.	Employees in service.	Casualties.		Day and night messages.
					Persons killed.	Persons injured.	
(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)
69.47	\$1,557,000	\$13,561,830	\$5,984,567	51,545	21	1,323	64,166
94.48	182,947	402,343	60,000	11,545	5	95	22,591
91.03	19,105	8,904	21,886	439	.....	7	876
73.77	1,759,052	13,955,269	6,066,453	63,529	26	1,425	87,634
69.47	1,557,000	13,561,830	5,984,567	51,545	21	1,323	64,166
91.70	2,092	29,731	.....	281	.....	8	494
95.29	1,160	4,030	.....	228	.....	.....	329
86.50	3,593	24,251	.....	235	.....	1	194
71.61	3,610	46,780	.....	184	.....	1	142
86.13	389	3,570	.....	131	.....	.....	65
94.61	1,703	2,001	.....	143	.....	1	98
89.96	7,301	12,768	.....	297	.....	.....	439
95.24	250	2,307	.....	173	.....	1	104
82.19	3,929	60,762	.....	307	.....	2	491
99.97	65	144	.....	143	.....	.....	162
105.06	496	1,708	.....	111	.....	.....	23
96.93	495	369	.....	132	.....	.....	74
78.32	7,992	70,000	60,000	257	.....	1	(4)
97.08	10,646	7,824	.....	643	.....	8	1,366
117.30	2,295	11,644	.....	125	.....	.....	29
105.64	6,227	39,980	.....	827	.....	12	697
105.75	3,332	18,654	.....	346	.....	.....	479
98.20	33,964	10,204	.....	1,693	.....	11	2,671
101.31	15	137	.....	107	.....	.....	.....
92.33	8,097	81,314	.....	1,141	1	4	2,405
102.54	10,796	18,577	.....	262	.....	2	341
91.35	3,480	15,507	.....	223	.....	.....	266
98.44	2,236	515	.....	235	.....	.....	280
99.48	2,418	1,148	.....	520	1	6	1,296
92.43	6,239	23,594	.....	446	.....	.....	1,016
92.90	3,803	26,479	.....	570	.....	4	1,043
81.46	1,125	13,690	.....	175	.....	.....	84
111.34	1,335	15,170	.....	185	.....	1	189
97.78	3,066	2,182	.....	120	.....	.....	14
85.83	10,258	27,110	.....	235	1	4	328
100.98	1,703	2,698	.....	141	.....	1	36
94.29	23,765	14,325	.....	2,690	.....	18	5,095
117.06	1,507	10,415	.....	216	2	4	105
95.10	2,320	33,616	.....	938	.....	3	1,367
93.92	128	3,866	.....	166	.....	.....	200
89.71	4,698	16,256	.....	284	.....	1	344
101.74	2,345	5,398	.....	138	.....	.....	68
86.34	2,220	22,443	.....	292	.....	1	163
86.74	500	2,474	.....	132	.....	.....	68
103.74	1,354	2,722	.....	115	.....	.....	7
94.48	182,947	402,343	60,000	11,545	5	95	22,591
94.95	174,955	332,343	.....	11,288	5	94	22,591
121.46	.....	262	.....	11	.....	.....	(4)
27.55	139	.....	.....	31	.....	.....	(4)
63.74	882	6,767	5,630	43	.....	.....	22
122.52	2,036	10,402	.....	17	.....	.....	1
66.51	462	6,808	500	12	.....	.....	10
88.74	96	30	.....	16	.....	.....	36
50.96	490	15,065	15,756	308	.....	7	11,812
94.57	15,000	27,434	.....	.....	.....	.....	.....
91.03	19,105	8,904	21,886	439	.....	7	876

des 1,212 miles of pole line on which pin rights are rented, supporting
s of wire.

des duplications account general and other officers and clerks em-
ployed by the various Postal companies.

des as a part of the Canadian Pacific Railway System.

des 18 miles owned jointly with one other company.

des 30 miles owned jointly with one other company.

des 98 managers, employees of the Bangor & Aroostook Railroad Co.,
paid on a commission basis.

sents twelve times returns of day messages for month of January.

ssages not reported.

sents twelve times returns for month of January.

GOVERNMENT CONTROL OF THE TELE- GRAPH AND TELEPHONE SYSTEMS

HEARINGS

ON

H. J. RES. 368

U. S. Congress. ^{BEFORE} ~~House.~~

THE COMMITTEE ON THE POST OFFICE AND POST ROADS

HOUSE OF REPRESENTATIVES

SIXTY-FIFTH CONGRESS

THIRD SESSION

JANUARY 23-28, 1919

PART III



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

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COMMITTEE ON THE POST OFFICE AND POST ROADS.

HOUSE OF REPRESENTATIVES, SIXTY-FIFTH CONGRESS.

JOHN A. MOON, Tennessee, *Chairman*.

THOMAS M. BELL, Georgia.

HALVOR STEENERSON, Minnesota.

ARTHUR B. ROUSE, Kentucky.

MARTIN B. MADDEN, Illinois.

FRED L. BLACKMON, Alabama.

WILLIAM W. GRIEST, Pennsylvania.

EDWARD E. HOLLAND, Virginia.

IRA C. COPLEY, Illinois.

PETER F. TAGUE, Massachusetts.

CHARLES M. HAMILTON, New York.

EUGENE BLACK, Texas.

CALVIN DE WITT PAIGE, Massachusetts.

WILLIAM A. AYRES, Kansas.

HARRY C. WOODYARD, West Virginia.

CHARLES H. RANDALL, California.

C. WILLIAM RAMSEYER, Iowa.

BRUCE F. STERLING, Pennsylvania.

ROBERT D. HEATON, Pennsylvania.

SAMUEL W. BEAKES, Michigan.

CHARLES A. SULZER, Alaska.

DANIEL C. OLIVER, New York.

ISHAM P. BYROM, *Clerk*.

CHARLES E. BRUCE, *Assistant Clerk*.

II

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MAY 24 1919

6/27/19
GOVERNMENT CONTROL OF THE TELEGRAPH AND TELEPHONE
SYSTEMS.

COMMITTEE ON POST OFFICES AND POST ROADS,
HOUSE OF REPRESENTATIVES,
Thursday, January 23, 1919.

The committee met at 10.30 o'clock a. m., Hon. John A. Moon (chairman) presiding.

Mr. STEENERSON. Mr. Elmquist has sent two or three additional communications from State commissions. I want to put them in the record.

The CHAIRMAN. I have no objection if the committee has none.
(The communications referred to are as follows:)

MONTPELIER, VT., *January 22, 1919.*

CHAS. E. ELMQUIST,
724 Eighteenth Street, Washington, D. C.:

Vermont commissioner opposed to continued Federal operation. Desire that you represent us before committees. See letter.

VERMONT PUBLIC SERVICE COMMISSION.

HELENA, MONT., *January 22, 1919.*

C. E. ELMQUIST,
724 Eighteenth Street NW., Washington, D. C.:

Your wire Moon resolution. Please make appearance insisting upon prompt return to private control of wire systems.

MONTANA RAILROAD COMMISSION.

NEW MEXICO STATE CORPORATION COMMISSION,
SANTA FE, N. MEX., *January 18, 1919.*

HON. CHARLES E. ELMQUIST,
President National Association of Railway
and Utilities Commissioners, Washington, D. C.

DEAR SIR: Supplementing our telegram to you of even date, in response to your Western Union night letter of the 17th instant, we desire first to confirm our wire, viz:

"Our commission is opposed to Government ownership of telephones and telegraphs or extending period of Government control beyond time stipulated in act of Congress. Therefore not in favor of Moon resolution and you are hereby authorized to appear before House Committee on Post Office and Post Roads and state our position in matter. Letter follows."

Convinced, as we are, that the public interest can best be served by the operation of telegraphs and telephones under private management, with supervisory jurisdiction vested in the Interstate Commerce Commission as to interstate rates and service and in the public utility commissions of the several States as to strictly intrastate matters, we are opposed to the adoption of the Moon resolution extending the period of Government control and possession of the telegraph and telephone systems of the United States and authorizing the Postmaster General to fix the appraised valuation of the telegraph and telephone systems. We see no necessity for continuing Government control of these utilities beyond the period originally stipulated by Congress, and, in fact, be-

lieve that they should be restored at once, without waiting for the formal ratification of peace treaties.

In this connection, we indorse and adopt as our own the Hill resolution passed by the National Association of Railway and Utilities Commissioners at its recent meeting in Washington, as follows, to-wit:

"Whereas, it is apparent that the ends sought to be attained by Federal control of telephone and telegraph lines as a war measure have already been satisfied as far as is possible, and it is not perceivable that, under existing conditions, it is desirable that further Government control be exercised pending the return of such properties to State control;

"And whereas, during the short period of such control and operation by the Federal Government there has been practically no interference or change in the corporate organization, management or properties of said telephone and telegraph companies;

"And whereas, pending the natural termination of such Federal control, the State commissioners are embarrassed by the assumption by the Postmaster General of exclusive control over rates; therefore be it

"*Resolved*, That this association does respectfully recommend to the Postmaster General that the Federal control of the telephone and telegraph lines cease as soon as practicable, and the military necessity therefor shall have ended."

There is a great deal of dissatisfaction among the owners of small telephone systems under the order of the Postmaster General prescribing a standard scale of toll rates, effective January 21, without having first entered into a contract with such companies fixing the compensation of the owners of the properties or at least notifying them of the compensation to be paid.

We respectfully submit that in neither the resolution of Congress nor the proclamation of the President authorizing the taking over of the telegraph and telephone systems is any authority conferred upon the Postmaster General to prescribe rates. The resolution specifically provides "that nothing in this act shall be construed to amend, repeal, impair or affect the existing laws or powers of the States in relation to taxes or the lawful police regulations of the several States, except wherein such laws, powers or regulations may affect the transmission of Government communications or the issue of stocks and bonds by such system or systems."

Our commission has not yet taken any affirmative action to challenge the authority of the Postmaster General on intrastate rates and service. The matter is under consideration, however; but in our opinion the Postmaster General is without authority, either express or implied, to fix rates for application intrastate, irrespective of whether or not the telegraph and telephone systems are under Federal control; and we desire to voice our disapproval of the usurpation of such authority by Mr. Burleson or others acting for him.

For the reasons stated and many others, we are opposed to the Moon resolution, and authorize you to appear before the House Committee on Post Office and Post Roads, to enter a formal protest against its adoption or any action looking to Government ownership of telegraph and telephone systems.

Very respectfully,

STATE CORPORATION COMMISSION,
By HUGH H. WILLIAMS,
Chairman.

The CHAIRMAN. I have 10 or 15 more telegrams along the line of those that came in yesterday. Without objection, I will put them in the record or at least I will note the fact. Some of them are one way and some the other.

Here is a letter I believe I will ask to have put in the record. It appeals to me very much. I will read the letter:

STANDARD UNDERGROUND CABLE CO.,
Pittsburgh, Pa., January 21, 1919.

HON. JOHN A. MOON,
Chairman Committee on Post Offices and Post Roads,
House of Representatives, Washington, D. C.

MY DEAR MR. MOON: I understand that there is pending before your committee a resolution fixing a definite time for the return of the telephone and telegraph companies to private ownership instead of returning them immediately upon declaration of peace, as now provided by law.

It seems to me certain that the sudden return of these properties to private ownership without previous notice or opportunity for the private owners to prepare for such a contingency, both as to finances and management, would be a great hardship upon many of them, and especially upon the so-called "independent telephone companies," which, as a rule, are not as well prepared to meet the sudden emergency that would in that way fall upon them.

So far as the telegraph companies are concerned I can see no very good reason for retaining them under Government operation for a longer time than six months after the close of the war; but as to the telephone companies, which are represented by many hundreds of separate corporations, having complicated interrelations as to handling of business but separate and difficult problems of finance and management and readjustment to peace conditions (more especially the independent companies of the country), I am sure that the period of Government operation, after declaration of peace, should be considerably longer, say a total of 12 to 15 months.

I respectfully suggest that the resolution to be adopted should contain substantially the following provisions, namely:

That the telegraph companies (Western Union and Postal, each of which have nation-wide systems and each are under their own unified and efficient organization) shall be restored to private ownership and operation six months after the declaration of peace; and that the telephone companies of the country shall be returned to private ownership and operation in not less than 12 nor more than 15 months after such declaration of peace.

While on the one hand I believe the respective companies are entitled to this much definite time (equivalent to notice) after declaration of peace to get ready to receive back their properties; yet, on the other hand, I believe that any longer period would in turn impose unwarranted hardship upon them and upon the public, and would be most undesirable from some other points of view.

I may add, frankly, that I am opposed to Government ownership, and I feel that the termination of Government operation should be provided for in such definite terms and at such comparatively early date that the question of Government ownership can not become an issue in the next presidential election, so far, at least, as these companies are concerned; in other words, I would fix the date so that these properties must be returned before our next presidential and congressional elections occur, because otherwise the question of Government ownership will be injected into the campaign, with the result that other and more vital issues will be clouded and confused, and would fail to secure the consideration and the clean-cut decision they ought to have.

The requirements to return all these properties to their private owners should be made positive at the date suggested and not subject to the further judgment of anybody.

I trust your influence and effort will be given for the passage of a resolution to that effect.

Very truly, yours,

JOSEPH W. MARSH, *President.*

Mr. MADDEN. A very sensible letter.

The CHAIRMAN. Who will you have heard first this morning?

Mr. MADDEN. Here is a gentleman, I understand, wants to testify.
Mr. Chairman.

The CHAIRMAN. You are called here by whom?

Mr. SMALL. I come on my own initiative, Mr. Chairman, principally in advocacy of Government ownership.

The CHAIRMAN. You just want to discuss the question of Government ownership?

Mr. SMALL. No, sir; I want to make suggestions and outline my views.

The CHAIRMAN. Where are you from?

Mr. SMALL. My legal home is Sandpoint, Idaho. My present residence is here in Washington. I am employed in the telegraph service now.

The CHAIRMAN. Who employs you?

Mr. SMALL. The Postal Telegraph-Cable Co.

The CHAIRMAN. You are here in the interests of the Postal Telegraph-Cable Co.?

Mr. SMALL. No, sir.

The CHAIRMAN. Are you here in the interests of any organization?

Mr. SMALL. I might state, Mr. Chairman, on that point that I was, prior to 1907, international president of an organization, but I have not been a member of it since that time.

Mr. RAMSEYER. What organization?

Mr. SMALL. The Commercial Telegraphers' Union. I have not been a member of the Commercial Telegraphers' Union since 1907, nor have I had conversation with any of their officers.

The CHAIRMAN. How much time do you want for this discussion?

Mr. SMALL. It would not take me a great length of time; but I expect considerable questioning on some of these points when they are brought out.

**STATEMENT OF MR. S. J. SMALL, TELEGRAPH OPERATOR,
WASHINGTON, D. C.**

Mr. SMALL. Some of my statements may sound rather general, but I assure you they will have a point to them, bearing on the question of permanent Government ownership or otherwise. I differ with my former general manager, who testified here yesterday, Mr. Reynolds, in many things he has stated here; and also my sense of square dealing is offended, because of Mr. Burleson's—in his public operation of the wire systems—apparent willingness to be a party to Mr. Carlton's campaign against union labor. Thirdly, I am an advocate and a firm believer in Government ownership of the telegraph systems under the direct supervision of the Postmaster General.

The situation, as it appears to me, before this committee is that the Government has undertaken the supervision of the telegraph systems of the country as a war measure. One of the companies, at least outwardly, appears to be cooperating with the Postmaster General, while the other refuses to obey any of his mandates. This situation has brought to the front the question of Government ownership.

Basing my assertion on my 36 years' experience and close observation, particularly in the matter of the secrecy of transmission, and particularly in the case of dealing with the efficiency of the management of the operating force, I state frankly, without reservation, that for many of us, under private ownership, our telegraph system has been a national disgrace, and under Government supervision it has been a crime. I have in mind particularly cablegrams having to do with information on which the people of the whole world were waiting with breathless expectancy and trembling fear, which were delayed in transmission between Washington and New York for from 4 to 12 hours—not only once, but many times. And the reason of this delay is because of the Postmaster General's approval of the increase of wages suggested by President Carlton, of the Western Union Telegraph Co., resulting in the telegraphers flocking to the Western Union and leaving the Postal Co. with less than half the number of operators necessary to move the business

promptly. Gentlemen, that has occurred in Washington within the past three months at the most critical time of the war, and the one particular instance I have in mind is the answer of President Wilson to the first German note.

It has been stated here that the threatened strike sometime since had nothing to do with the Government taking over the wire system. It is a matter of record, however, that the War Labor Board handed down an award which it was hoped would be satisfactory and which Mr. Carlton refused to accept, even after an earnest appeal from President Wilson that he do so. And notwithstanding Mr. Carlton's antagonism I have suggested in reference to President Wilson's efforts to bring about harmony between the employing companies and the operators, Mr. Burleson put Mr. Carlton in an executive position over both the fiscal and operating departments of the Western Union's competitor.

I want to mention an instance in connection with the taking over of the cables.

Mr. BLACK. Mr. Chairman, it looks to me like this witness is just making a studied attack on the Postmaster, and if he can not enlighten us any more than that on this question we have under consideration, so far as I am concerned I do not care to hear it.

Mr. SMALL. I do not believe there is anything further in here along these lines. The rest of it has a bearing—

Mr. BLACK. I am anxious to get enlightenment on this resolution, but as far as an attack on the Postmaster General's labor policies, it does not enlighten me a bit.

Mr. SMALL. In connection with the taking over of the cables, there has been much criticism; but I have not seen stated any reason the public is satisfied with, and I want to state an instance that may possibly explain that. In 1898 and 1899 you will remember we had the biggest news item come from the Yukon gold fields. Everybody was on tiptoe to get the news. At that time the Postal Telegraph-Cable Co. had the only one line from Seattle north to Onacortes, Puget Sound, and all of the newspapers of the country were waiting for the first boat from the mouth of the St. Michael River. This one wire could not carry all of this news matter, and if it could no paper could get the use of it except the Hearst papers, because they had entered into an arrangement with the Postal to monopolize it. Now, then, the newspapers got together and chartered the best tug on the sound and went out 90 miles to meet this incoming steamer from St. Michaels. The Hearst correspondent joined in the combination and agreed not to file on this one wire and to wait until they got to Seattle where they could all file their matter for the newspapers. When they were passing in, and about 20 miles from Port Townsend, the Hearst correspondent went overboard and was picked up by a tug. I was working for the Post Intelligencer at that time, and I was sending the Yukon story over the congested press wires when all the other correspondents representing the various newspapers reached the dock.

Now that has a bearing on this cable situation. Here is a copy of the New York Herald of yesterday. At the head of the editorial page they carry the press mark here of the Commercial Cable Co.—Mackay-Bennett System. Now, if the New York Herald is closely related with the Commercial Cable Co., which is the largest operator

of cables across the Atlantic, and there is any possible chance that newspaper could pull off another trick like that of the Yukon story, why, then, the Postmaster General was, in my opinion, justified in taking over the cables.

I know of no large business in this country where there is as much waste and misapplied energy as in the telegraph office. One of the reasons for this is the absence of an apprentice system. We have never had an apprentice system in the telegraph business. The operators graduate from the messenger force. They are placed in a room and given a written alphabet and pointed to a typewriter, and they just go and acquire it and learn it haphazard. The result is they are not efficient and competent workmen; and I maintain that under Government ownership and operation, when we have an apprentice system and trained these youngsters right, so that when they had had three or four years' experience, we would have competent men, they would move one-third more business than is moved now and move it accurately.

As to the service rendered, past and present, I want to make this statement and it can be substantiated if the committee so desires. You can go to this Union Station down here, or to the Pennsylvania station in New York, or any other large terminal, as is done every day by thousands of people, and file a telegram announcing to your business associate or your family that you will be home at such and such a time, and I venture to say that in 50 per cent of the cases where the distance is a run of five or six hours by train, that you will beat the telegram home. I make that statement from positive and actual knowledge and experience, and I have no doubt there are men in this room who have had that experience. And there is no way to get at or trace this delay, or correct it, because the telegraph business is sort of a mystery that the general public does not understand. One of you gentlemen will send a wire maybe at 8 o'clock in the morning and the addressee is expecting it at nine, and he does not receive it until five in the afternoon, and he will wonder why you did not send it, and not knowing why. By the time you reach home you have forgotten all about it and there is never a complaint.

Now, there are less than 1,000 cities in the United States with a population of 10,000 and upwards. In the majority of those cities both telegraph companies have offices, and in a very large percentage of them the operating force at one office could handle the business of both and handle it on one wire, thereby releasing operators of the office that is closed for service elsewhere, where they are needed, and releasing one or more wires for trunk-line and press service, as well as reducing the cost in that city by reducing the rental, salaries of managers and clerical help; or, if circumstances warrant, convert one or both of the telegraph offices in the branch post office, and the branch post office being made the central telephone office, also. To illustrate that point, I will mention Durham, Greensboro, and Raleigh, N. C.; and Danville, Petersburg, and Lynchburg, Va. Both companies maintain offices there. Some of them have a manager and two or three clerks; both of them pay a rental varying from \$40 to \$100 per month. And yet all of the business going in or out of any of those cities can be handled by one operator on each working shift and on one wire, and the public has to pay the extra burden.

The Western Union claims to have more than 20,000 offices. At least 10,000 of them are one-man or combination railroad and commercial offices. Now let me give you an idea of how the service is handled at these offices. I have here two letters. One of them is short and I would like to read it, and the other I would like to put in the record. The first one is dated New York, December 9, 1916, addressed to Mr. T. J. Foley, general manager Kazoo & Mississippi Valley Railroad, Chicago, Ill. It says:

DEAR SIR: On July 20, 1914, and August 24, 1914, I wrote you in regard to the conduct of your station agent at Inverness, Miss.

"We have now received on December 8 a letter from the proprietor of the New York Drug Concern, of 29 West Fifteenth Street, New York City, reading as follows:

"DECEMBER 7.

"POSTAL TELEGRAPH CO.,

"New York.

"DEAR SIR: At 10 a. m., December 4, 1916, I did deliver to your operator in Inverness, Miss., one telegram of 17 words to Hotel Edwards, Jackson, Miss., and paid 29 cents thereon, and telegram for Chalmers Motor Co., Detroit, Mich., consisting of 45 words, on which I paid \$2.50.

"Operator was in the office at time. I asked that messages be forwarded immediately. Operator replied he made no commission on telegraph business, and expressed wish that you discontinue office, and said he had to go handle cotton, and would not promise when it would be sent. I returned at 10.48 a. m. and complained at delay. I was informed that freight and cotton had preference over telegraphic business. I then took up telegrams and collected the \$2.89, and forwarded via telephone and Western Union.

"I am proprietor of New York Drug Concern, New York. Thinking perhaps this might be interesting reading matter to you is my reason for stating these facts. I learn that same condition exists all along "Yellow Dog" Railroad (Y. & M. V.).

"Truly yours,

(Signed)

"LAURENCE E. CASH,
Per "WILSON."

Now, listen to this:

We hereby demand that you remove the station agent as Inverness, Miss., and substitute some one who will comply with your contract with us. Otherwise we may feel justified in filing a bill in equity to have the contract canceled.

Yours truly,

(Signed)

EDWARD REYNOLDS,
Vice President and General Manager.

This second letter is of a later date, September 28, 1917, and it has to do with 23 telegrams. It is from Mr. Reynolds to the superintendent of the same railroad, which is part of the Illinois Central running through Mississippi. It has to do with 23 telegrams sent to 18 different towns on the Illinois Central road, running through Mississippi, and tells of delays of from 1 hour and 40 minutes to 15 hours and 55 minutes. That is an every-day occurrence.

(The letter above referred to is as follows:)

RAILROAD-TELEGRAPH SERVICE AT ITS WORST.

NEW YORK, September 28, 1917.

Mr. A. E. CLIFT,

General Manager Illinois Central Railroad Co., Chicago, Ill.

DEAR SIR: I desire to call your attention to the following instances of bad service at various stations along the lines of your railroad:

OFFICE AT FAULT, ACKERMAN, MISS.

Telegram dated St. Louis, Mo., September 10, 1917, to Choctaw Lumber Co., Ackerman, Miss. Received at our Memphis, Tenn., office at 1.40 p. m. Your

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Ackerman office did not respond to our Memphis office until 3.42 p. m. Two hours and 2 minutes' delay. Our Memphis office called Ackerman 19 times without response.

OFFICE AT FAULT, CRUGER, MISS.

Telegram dated Lake Cormorant, Miss., September 10, 1917, to J. I. Lundy, Cruger, Miss. Received at our Memphis office at 1.42 p. m. Your Cruger office did not respond to our Memphis office until 3.29 p. m. One hour and 47 minutes' delay. Our Memphis office called your Cruger office 14 times.

OFFICE AT FAULT, DODDSVILLE, MISS.

Telegram dated Memphis, Tenn., September 19, 1917, to W. A. Kimerer, Doddsville, Miss. Received at our Memphis office at 12.30 p. m. Your Doddsville office did not respond to our Memphis office until 2.36 p. m. Two hours and six minutes delay. Our Memphis office called your Doddsville office 16 times.

OFFICE AT FAULT, DREW, MISS.

Telegram dated Ellisville, Ark., September 10, 1917, to W. B. Burns, Drew, Miss. Received at our Memphis office at 12.43 p. m. Your Drew office did not respond to our Memphis office until 2.23 p. m. One hour and 40 minutes delay. Our Memphis office called your Drew office 14 times.

OFFICE AT FAULT, HALLS, TENN.

Telegram dated September 10, 1917, from York, Ala., to Miss T. Dyer, Halls, Tenn. Received at our Memphis office at 6.24 p. m., on 10th. Your Halls office did not respond to our Memphis office until 9.38 a. m., on September 11. Fifteen hours and 14 minutes delay. Our Memphis office made 8 attempts to move this message on the 10th and 16 attempts were made on morning of the 11th.

OFFICE AT FAULT, HILL HOUSE, MISS.

Telegram dated Chicago, Ill., September 13, 1917, to A. S. Weissinger, Hill House, Miss. Received at our Memphis office at 5.33 p. m. Your Hill House office did not respond to our Memphis office until 9.28 a. m. on the 14th. Fifteen hours and 55 minutes delay. Our Memphis office made 9 attempts to move this message on the 13th and 13 attempts on the 14th.

OFFICE AT FAULT, INVERNESS, MISS.

Telegram dated Grenada, Miss., September 14, 1917, to George C. Baird, Inverness, Miss. Received at our Memphis office at 1.23 p. m. Your Inverness office did not respond to our Memphis office until 3.40 p. m. Two hours and 17 minutes delay. Twelve attempts were made to move this message.

Telegram dated Jackson, Miss., September 17, 1917, to Mr. Siddon, Inverness, Miss. Received at our Memphis office at 12.28 p. m. Your Inverness office did not respond to our Memphis office until 3.07 p. m. Two hours and 39 minutes delay. Seventeen attempts were made to move this message.

OFFICE AT FAULT, ISOLA, MISS.

Telegram dated Demopolis, Ala., September 14, 1917, to J. Lipscomb, Isola, Miss. Received at our Memphis office at 8.51 a. m. Your Isola office did not respond to our Memphis office until 2.30 p. m. Five hours and 39 minutes delay. Thirty-two attempts were made to move this message.

Telegram dated Aberdeen, Miss., September 17, 1917, to R. J. Hooker, Isola, Miss. Received at our Memphis office at 6.15 p. m. Your Isola office did not respond to our Memphis office until 9.44 a. m., September 18. Fifteen hours and 29 minutes delay. Thirty-one attempts were made to move this message.

Telegram dated Wisner, La., September 17, 1917, to S. M. Haley, Isola, Miss. Received at our Memphis office at 12.36 p. m. Your Isola office did not respond to our Memphis office until 3.19 p. m.

Telegram dated Oklahoma City, Okla., September 18, 1917, to J. C. Williams, Isola, Miss. Received at our Memphis office at 9 a. m. Your Isola office did

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not respond to our Memphis office until 12.03 p. m. Three hours and three minutes delay. Twenty-one attempts were made to move this message.

OFFICE AT FAULT, LEXINGTON, MISS.

Telegram dated Greenwood, Miss., September 12, 1917, to A. F. Pepper, Lexington, Miss. Received at our Memphis office at 6.30 p. m. on 12th. Your Lexington office did not respond to our Memphis office until 9.21 a. m. on 13th. Fourteen hours and 51 minutes delay. Our Memphis office made 11 attempts to move this message on 12th and 10 attempts on the 13th.

OFFICE AT FAULT, LELAND, MISS.

Telegram dated Dawson Springs, Ky., September 12, 1917, to Dr. H. D. Gayden, Leland, Miss. Received at our Memphis office at 8.34 a. m. Your Leland office did not respond to our Memphis office until 11.46 a. m. Three hours and 12 minutes delay. Twenty-two attempts were made to move this message.

OFFICE AT FAULT, MERIGOLD, MISS.

Telegram dated Los Angeles, Cal., September 10, 1917, to Frank Wynne, Merigold, Miss. Received at our Memphis office at 11.43 a. m. Your Merigold office did not respond to our Memphis office until 2.01 p. m. Two hours and 18 minutes delay. Nineteen attempts were made to move this message.

OFFICE AT FAULT, MINTER CITY, MISS.

Telegram dated Lambert, Miss., September 12, 1917, to R. F. Sutherland, Minter City, Miss. Received at our Memphis office at 9.08 a. m. Your Minter City office did not respond to our Memphis office until 10.46 a. m. One hour and 38 minutes delay. Twelve attempts were made to move this message.

OFFICE AT FAULT, MOORHEAD, MISS.

Telegram dated Yazoo City, Miss., September 14, 1917, to Dr. Hill, Moorhead, Miss. Received at our Memphis office at 10 a. m. Your Moorhead office did not respond to our Memphis office until 11.29 a. m. One hour and 29 minutes delay. Nine attempts were made to move this message.

OFFICE AT FAULT, PERCY, MISS.

Telegram dated Cincinnati, Ohio, September 12, 1917, to Triangle Lumber Co., Percy, Miss. Received at our Memphis office at 9.14 a. m. Your Percy office did not respond to our Memphis office until 11.53 a. m. Two hours and 39 minutes delay. Thirteen attempts were made to move this message.

OFFICE AT FAULT, SHAW, MISS.

Telegram dated Joliet, Ill., September 19, 1917, to J. C. Walker, Shaw, Miss. Received at our Memphis office at 1.46 p. m. Your Shaw office did not respond to our Memphis office until 3.44 p. m. One hour and 58 minutes delay. Twelve attempts were made to move this message.

OFFICE AT FAULT, SUNFLOWER, MISS.

Telegram dated Kentwood, La., September 10, 1917, to Svc. (very important), Sunflower, Miss. Received at our Memphis office at 7.09 p. m. Your Sunflower office did not respond to our Memphis office until 10.40 a. m., September 11. Fifteen hours and 31 minutes delay. Our Memphis office made 4 attempts to move this message on the 10th and 27 attempts were made on the morning of September 11.

Telegram dated Memphis, Tenn., September 11, 1917, to T. H. Telfair, Sunflower, Miss. Received at our Memphis office at 12.43 p. m. Your Sunflower office did not respond to our Memphis office until 2.24 p. m. One hour and 41 minutes delay. Our Memphis office called your Sunflower office 11 times.

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OFFICE AT FAULT, TUNIC, MASS.

Telegram dated Memphis, Tenn., September 12, 1917, to W. R. Sigler, Tunic, Miss. Received at our Memphis office at 9 a. m. Your Tunic office did not respond to our Memphis until 11.12 a. m. Two hours and 12 minutes delay. Twelve attempts were made by our Memphis office to move this message.

OFFICE AT FAULT, VALLEY PARK, MISS.

Telegram dated Belzoni, Miss., September 12, 1917, to Mrs. L. L. Caldwell, Valley Park, Miss. Received at our Memphis office at 7.05 a. m. Your Valley Park office did not respond to our Memphis office until 10.12 a. m. Three hours and 7 minutes delay. Our Memphis office called your Valley Park office 14 times.

Inasmuch as the public have a very decided interest in the character of telegraph service given, I am sending a copy of this letter to the Railroad Commission of Tennessee and the Mississippi Railroad Commission for such action as they may deem best.

Very truly, yours,

(Signed) EDWARD REYNOLDS,
Vice President and General Manager.

If the Western Union have 20,000 offices or more, and it was stated here yesterday that they have but 2,000 or thereabouts of the larger offices, then we have 15,000 or more Western Union offices that come under that class—15,000 telegraph offices in this country where when you go to file a telegram, if you are wise to the conditions, you are fairly well satisfied that you might as well mail it.

Mr. BLACK. I do not agree with you on that. There is no such proportion as that at all.

Mr. SMALL. Here is the statement of facts. The wire systems of this country under Government ownership would mean a tremendous saving to the people, a source of profit to the Government, and an efficient service; and it would permit a gradual reduction of tolls. It is safe to assume that 60 per cent of the telegrams filed for transmission at the present time are of a class that will stand for, we will say, three hours delay without any real harm. Therefore, under Government ownership or private ownership, for that matter, we could divide this service into three classes. The first class would be special delivery and require a special-delivery fee and would be delivered immediately upon receipt at destination. The second class, or what is now termed "day letters," would be delivered with the first delivery out of the post office, and the third class, which is the night messages, and in which code words are permitted, would also, like the day letters, be delivered by mail, but carry a different rate. In order to guarantee prompt delivery with the telegraph and the post office combined, it would perhaps be necessary to increase the number of mail deliveries during the business hours, and by doing that it would not greatly increase the operating expenses of the Post Office Department, because the revenue from the telegraph business would meet that; but it would give us just as prompt delivery service of the telegrams as we are getting now; and it would give us a better delivery service under this special-delivery stamp on preferred telegrams and better service by 75 per cent than we are getting now. We should be handling at least one-third of the mail carried by the Post Office Department now over these wires, and we would be handling that business if the telegraph managers, in the past, had been a little more alive to the needs of the business interests of the country and less penurious in the matter of up-to-date equipment.

Mr. Lamar referred here yesterday to the 5, 10, and 15 per cent increase, and also referred to the \$200 salary. There is no such thing as the \$200 salary to the telegraph operators, nor is there anything in the country above \$147.50. This last-announced increase was 5 and 10 per cent. Mr. Burleson claims, under the January 1 award, the increase amounts to approximately \$3,000,000. Now, that announced increase has not been paid by the Postal Telegraph Co., and I want to tell you gentlemen that the Postal employees are praying that they will not pay it, for they are to lose time and a half for overtime if they do get it. In the month of December, taking the figures from my time, if I had been working under this January 1 award, I would have received 5 per cent increase, having been in the employ of the company six months and over. In the month of December I worked 203 hours overtime. My regular rate is \$110 per month. My overtime rate at the regular monthly rating is 60 cents per hour. Figuring it at the time and a half rating, it is 90 cents per hour. Under the Burleson award, I would have received \$5.50 a month increase on my regular rating and would have lost \$60.90 in overtime. Now, I can not see any increase there, and I am glad I did not get it.

Speaking of this increase, I want to say just a word—that you may grant all the increases in the world, make them a thousand dollars a month if you want to, and put these properties back with the private owners, and under the sliding scale they have been operating for 35 or 40 years, in 12 months they will have taken every cent of it away from the operators, and they will do it without your seeing it. If I was not limited as to time, I would like to elaborate on that sliding scale.

Another thing, I hope this committee will keep in mind when they are considering this bill along these lines is that when you reach real peace and reconstruction has been completed, that the western end of this continent is going to experience the greatest boom that we have had in a century. West of St. Paul and across the line to Winnipeg, down the Pacific coast, and through the Panama Canal, we are not only going to move immense quantities of freight but thousands of passengers and immigrants building up that part of the country out there, and we will want a telegraph system if we are going to keep up with the pace of other businesses; and private owners do not build new lines until the business is already in sight and the business is clamoring for it. There is an illustration of that in the case of the prize fights down in Reno. They went in there and built hundreds of miles of lines in order to satisfy the sporting fraternity and get what revenue there was. And I have in mind another case between Portland and Astoria, Oreg., where they did not build a new line for the benefit of the business men in Astoria until there was business enough there for three lines. In fact, the business men of Astoria and Portland, Oreg., were continually after the Western Union for 12 years before they got an additional line. And that will apply all over the country under private ownership.

Another point I want to emphasize is that the telegraph office, gentlemen, is a neutral avenue to the highest possible commercial education. A man in a telegraph office, handling all these telegrams, has to absorb all the different angles of commercialism, politics, religion,

and everything. He can not get away from it. But without an apprentice system, without officers at the head of the private corporations who will at least take part of an interest in these young people, a little interest the same as a parent would, and adopt discipline that will force those youngsters to benefit by what they are handling or what they have an opportunity to learn, they sacrifice everything to speed, speed, speed—move the business over the wire. They are instructed, gentlemen, even to leave out punctuation; they are forbidden to capitalize. In other words, when they come out of high school and go into a telegraph office they are told to forget what they have learned in school. That is practically what it means.

What I would like to emphasize is this, gentlemen: I want to repeat I have been telegraphing since I was 15 years old, and I want to emphasize in your consideration of a bill for Government ownership that it is my judgment—and I have considered it night and day—that there is no more important thing in this country that can be done than to take these telegraphs over and operate them under Government ownership, and nowhere else but in the Post Office Department. They dovetail into one another just as snugly and as necessarily as those two doors close together. You can not separate them. But work them together with a good system of delivery and efficient officers, officials, all down the line, with an apprentice system to train these people from the beginning up, and we will have a wire system that could not be equaled in the world.

Mr. RAMSEYER. Does your scheme of what you advocate include the ownership of the telephones and cables also?

Mr. SMALL. No, sir.

Mr. RAMSEYER. Or just the telegraph?

Mr. SMALL. Just the telegraph.

Mr. RAMSEYER. Why do you differentiate between the telephone and the telegraph?

Mr. SMALL. Between the telephone and telegraph I differentiate in this way: The telephone is essentially an intrastate proposition. When you get beyond a distance—I will put it at 300 miles; I do not know that that is correct—your service is not satisfactory. You will call up your party and talk to them and you get part of what they say, and they get part of what you say, and you will walk right over to the telegraph office and send a telegram saying "Confirming our conversation so and so." Now, I know that from handling these telegrams. When you get beyond a certain distance on the telephone it becomes a luxury; they are not nonessential, but of no particular commercial value. That is my judgment of the telephone. And where you are within a State, as gentlemen have testified here, and you have so many rural lines or farm lines, why I believe that the people within that State can manage that thing better than the Federal Government or without any harm.

Mr. RAMSEYER. You want the telegraphs handled on the same principle the mail is handled and to extend the service of the telegraph wherever the Post Office Department might reasonably anticipate it will be needed. In fact, they ought to anticipate business instead of following business?

Mr. SMALL. In other words, when the business men of a community can show they are entitled to telegraph service, if they can

come to the Postmaster General with a reasonable proposition, they will get it; if they go to a private owner, the private owner will get his books out and figure up the profit and loss, and they won't get it. At least, that has been the experience for years.

Mr. BLACK. Mr. Small, have you ever made any comparison as to the comparative mileage of the telegraph lines of the United States with that of other countries?

Mr. SMALL. No; I have not got it in mind. I have seen the comparison published.

Mr. BLACK. Isn't it true, as a general rule, we have a larger telegraph mileage in this country than even European countries with Government ownership?

Mr. SMALL. I believe that is unquestionably true. And I would not be surprised if our mileage exceeded several European countries combined.

Mr. BLACK. I mean, comparatively speaking?

Mr. SMALL. I believe, comparatively speaking, we do.

Mr. BLACK. As I understand, your theory is that by Government ownership of the telegraph and telephone lines and thereby monopolizing them under the Government, that by means of this consolidation some men who are now in the telegraph business—I mean working as operators—would lose their positions on account of the lack of any need for them and would thereby be permitted to go into other callings where probably they are more needed?

Mr. SMALL. No; I do not mean that.

Mr. BLACK. Then I misunderstood you; I understood that was one of the arguments you made for Government ownership.

Mr. SMALL. There would be no surplus of operators.

Mr. BLACK. Then on that point, as a matter of fact, the consolidation would not result in a lowering of the aggregate number of employees?

Mr. SMALL. Oh, yes; it would lower the aggregate number of employees. I thought your question—

Mr. BLACK. That was the point I was bringing out.

Mr. SMALL. I thought you meant it would throw a lot of operators out of employment. No; but it will lessen the aggregate number of employees.

Mr. BLACK. What will become of them?

Mr. SMALL. They will still work in this business, for the reason that we need 30 to 40 per cent more operators now to fill the positions.

Mr. BLACK. Then your theory is when you make the consolidation you could probably put them elsewhere where they do not now have a proper service?

Mr. SMALL. They would remain right in the position they are now, but would not be required to work so much overtime. I worked 208 hours overtime in the month of December; and there are 50 and 60 per cent of all the operators in this country who are working from, I will put it, 40 to 100 hours overtime every month.

Mr. BLACK. What pay do you get per hour for overtime?

Mr. SMALL. At present, we are getting time and a half, which on my rating would amount to 90 cents.

Mr. BLACK. 90 cents an hour?

Mr. SMALL. Yes.

Mr. BLACK. As a matter of fact, don't you really like to have that overtime?

Mr. SMALL. No, sir. Taking a selfish and mercenary view of it, a man does like to have it.

Mr. BLACK. I say, looking at it from your standpoint, you like to have it?

Mr. BLACK. No, sir; for the reason if you keep it up long enough, there is only one end, and that is a wrecked constitution.

Mr. BLACK. What is your standard-hour day?

Mr. SMALL. The standard hour day of the Western Union is nine hours; of the Postal, eight hours, seven and a half, and seven.

Mr. BLACK. And what is your average overtime a day, Mr. Small?

Mr. SMALL. Well, it is about 6 hours week days and 13 to 14 on Sundays.

Mr. BLACK. You mean by that six hours a day or six hours during the week?

Mr. SMALL. Six hours each day.

Mr. BLACK. Making 14 hours you work?

Mr. SMALL. Sixteen hours week days and 14 hours on Sunday.

Mr. BLACK. Then, that would be eight hours overtime at 90 cents?

Mr. SMALL. No; six hours overtime.

Mr. BLACK. At 90 cents, which would be \$5.40 a day overtime?

Mr. SMALL. Yes.

Mr. BLACK. Is there any requirement that you do that, or do you do it of your own choice?

Mr. SMALL. It is not compulsory with the Postal; with the Western Union it is compulsory.

Mr. BLACK. How much compulsory overtime would they require you to work, Mr. Small?

Mr. SMALL. Until they are through with you.

Mr. BLACK. In practice, how much is it to the average man—do you know?

Mr. SMALL. It varies with the condition of business. Right at the present time it would not amount to so much; but just a month or so ago it would amount to five hours a day, I would say, as the average.

Mr. BLACK. And the Postal does not require it, but the Western Union does?

Mr. SMALL. The Postal are more considerate in that matter. The Western Union is fierce. I know of one case on the Western Union, of a man in Spokane, Wash. I was working there and saw it. The man went to work at 11 o'clock in the morning and worked through the shift of his day chief; started in with the night chief and along about 7 o'clock asked permission to go out and get lunch, and he was denied. He worked all through the night chief's shift, and after the next chief came on he asked for an hour to go out and eat, and was denied. And he said, "I have been working from 11 o'clock in the morning, and I am going to go out and get some lunch." And he was told if he did he would be discharged. He went out and got his lunch, and the next morning he was discharged.

Mr. BLACK. Do you not think that matter of working excessive overtime could be easily corrected by law, such as the hours-of-service law we have applying to railroad employees?

Mr. SMALL. No, sir; not with the telegraph companies.

Mr. BLACK. Why not?

Mr. SMALL. Because the lawmakers and the lay public do not understand the telegraph, and they can not understand it unless they devote years of time to learning every angle of it.

Mr. BLACK. I am not disputing about the technical aspect; but if the matter of overtime should get to that point where it would result in serious injustice to the employees, could not Congress, in the exercise of its legislative power, pass a law that no employee should be permitted to work excessive hours, such as we have passed in the railroad hours-of-service law?

Mr. SMALL. Why, they can pass that kind of a law and the law can be enforced. But now you refer to the railroad law; that law is not satisfactory to the railroad men, nor is it reasonable.

Mr. AYRES. It permits overtime just the same.

Mr. BLACK. I think the employees themselves would object to a law which prohibited overtime. You would object to any law which prohibited overtime, wouldn't you?

Mr. SMALL. No, sir. For the good of the human race I would forbid a minute's overtime.

Mr. BLACK. I happen to know the railroad employees objected to the Adamson law—I mean the second Adamson law—because they sent me a memorial that that limited the railroad employees strictly to eight hours a day, and they protested against the adoption of that law that would hold them down exactly to eight hours. They said they wanted to work reasonable overtime at overtime pay.

Mr. SMALL. I agree with you there. But also you must understand in the State of Washington where the railroad men voted down an 8-hour law.

Mr. BLACK. I happen to have that in mind, because I received a memorial protesting against it.

Mr. SMALL. But that does not make it right.

Mr. BLACK. I just want to get your viewpoint as an organized labor man on that proposition.

Mr. SMALL. I am free to concede their side; but what I am interested in is reasonable hours and no compulsory overtime, and get rid of these excessive hours. Under this railroad act you speak of—under the 16-hour law—the railroad will start a crew out and tie them up for a rest at any point and they have to lay down and sleep right where they are; and at the end of eight hours, allowing nothing for meals or other purposes, they are called on duty again. Now, that is not reasonable, you know; it don't give the men proper rest.

Mr. BLACK. I do not mean to say that the existing 16-hour proposition in the hours of service law is reasonable, because I am not undertaking to pass on that; but such a law as that could be passed reaching the situation that you mention?

Mr. SMALL. My experience is it would not work out satisfactorily. You held an investigation under this telegraph case a year or so ago, and went to all the largest cities in the country, and there were some matters presented there that are positively disgraceful to the American people. Has there ever been anything done about it?

Mr. BLACK. Do you not admit that the railroad employees themselves claim they could not work on a straight 8-hour day?

Mr. SMALL. I am speaking of the commercial telegraphers, now, in this investigation I am speaking of.

Mr. BLACK. Do you think they would be willing to have a law that would confine them to strictly eight hours and not permit overtime at time-and-a-half? Do you think they want a law of that kind?

Mr. SMALL. No; I do not think so. To express an honest opinion, I do not think that would be right, because business must be handled and that would prohibit the Government from carrying out its obligation.

Mr. BLACK. I had rather gathered from your testimony that you favored a straight eight-hour day, with no sort of elasticity?

Mr. SMALL. Oh, no.

Mr. RAMSEYER. You did express it as your opinion that for the good of the human race it would be a good thing.

Mr. SMALL. I want it to be understood the reason I am working these long hours now is because of the shortage of operators and the necessity for moving the business.

Mr. BLACK. I think we all agree there should not be excessive hours.

Mr. SMALL. That is why I say those cablegrams exchanged between a representative of a foreign Government and Washington are delayed 10 to 15 hours between here and New York. It is absolutely wrong, sir. But under private ownership you can not correct it; you can not get at it; unless somebody on the inside who knows these things and who can point out to you where you can find them comes here and points out these things and where to get at it, it is never heard of.

Mr. RAMSEYER. At the time you speak of, of the first exchange of notes between President Wilson and Prince Max, the wires were then in the absolute control of the Federal Government?

Mr. SMALL. Yes.

Mr. RAMSEYER. You say you can not correct that except under Government ownership?

Mr. SMALL. I can give you the reason for that. The chairman and others think I came here to criticize Mr. Burleson. I do not want to criticize Mr. Burleson, but where he is wrong, I want to say so.

Mr. BLACK. So much of your opening statement was devoted to that line I really gathered the idea that was the purpose of your testimony, but I do not wish to press that.

Mr. SMALL. Now that the wires were under Government control, that is true; but you can not run these operating rooms here in Washington or in the other cities from the Postmaster General's Office; nor can you supervise the operation through subordinates who know nothing about the telegraph business. There is an instance here right after the Government took supervision, when they sent a Signal Corps man in uniform, who is supposed to be an operator, around to these several departments to look them over and see how they were getting along and where improvements could be made, and the man could not even sit down to a wire and take a message and didn't begin to know as much about telegraphy as a junior operator knows in the office.

Mr. RAMSEYER. Then your criticism about Mr. Burleson is he did not know anything about the business?

Mr. SMALL. He did not know anything about the business, and Carlton does not know. He knows about the financial end of it, but that does not get the public and telegraph service.

The CHAIRMAN. Mr. Small, you are in the practical work of the Postal Co., I understand?

Mr. SMALL. Yes, sir; under an assumed name.

The CHAIRMAN. Not under your own name?

Mr. SMALL. No, sir; although they all know what my right name is.

The CHAIRMAN. You know about the operation of that office here in the city, do you?

Mr. SMALL. Yes, sir.

The CHAIRMAN. Did I understand you a while ago to say that Government messages were delayed 8 or 10 hours in that office?

Mr. SMALL. Yes; from 4 to 10 and 12 hours.

The CHAIRMAN. Did you hear the statement Mr. Reynolds made?

Mr. SMALL. I did; yes, sir.

The CHAIRMAN. Was he correct about it?

Mr. SMALL. No, sir. But on that point I pointed out in my answer to the question a minute ago, these general managers, and even though Mr. Reynolds is an operator, they do not know what is going on in these offices. He was honest when he made that statement that he travels from point to point and looks things over; but he don't see them.

The CHAIRMAN. I understand you to say—correct me if I am wrong about it—that if this telegraph system was unified under one central controlling power, like the Government of the United States, and properly run under that system, that it would be a more efficient system and save money to the public as well as to the Government?

Mr. SMALL. It would be more efficient, Mr. Chairman; it would be more than that, it would be something we could be proud of. It would save money for the Government and the business would undoubtedly move promptly, provided the apprentice system is adopted. It would not start off smoothly the first month nor the first six months; but at the end of three years—

The CHAIRMAN. Your idea is ultimately it would become the best service we could have?

Mr. SMALL. The best service in the world.

The CHAIRMAN. It was not expected, was it, or could not be expected reasonably, from your technical knowledge and experience in these matters, that when the Government itself took over the telegraph wires, it could carry on possibly any better system (with the connection it still had with the old companies and the many complexities) than it was before?

Mr. SMALL. It could not be expected, Mr. Chairman—here is where the injury comes, that there was antagonism from the private owners to the taking over of the telegraphs. The Government, when it took them over, put them under the Postmaster General's supervision and he does not extend that supervision outside of the walls of the Post Office Department and the executive offices of the two telegraph companies; and under these conditions, how are you going to get improved service, with antagonism right in the start?

The CHAIRMAN. Your criticism is of the manner of operation?

Mr. SMALL. The manner of operation.

The CHAIRMAN. Now, let me assume this case and see what your judgment is on that—you seem to be a practical telegraph man: Say that the Government of the United States takes over these telegraph companies for the purpose of operation, in aid of the postal system, which it claims it has the right to do, and they are placed under an experienced and proper head for administration, could you reduce the number of offices and the expenses of operation, and have a complete and perfect system that would be of less cost to the people ultimately and to the Government than you can now have under the competitive system between these lines?

Mr. SMALL. We certainly could. We could not only close all competitive offices, but we could afford to open offices in smaller communities. And here is something we would avoid: Another thing we would avoid in consolidation under Government ownership—Mr. Reynolds made the statement yesterday that their lines go right through villages where the Western Union have an office. And the reason he gave for going through those villages was that there was not enough business there to justify them in opening an office. Now, then, in other cities throughout the country, when people go to send a telegram, they will walk into a Postal office, knowing that there is an office at this particular town, that the Postal goes right through, and they will file a telegram for that point and the clerk, either because of carelessness or inexperience, accepts that telegram. It will start from the Pacific coast, all through relay points and gets down to some little point, directly, in Virginia—to this relay point—and it is discovered that there is no office there. The Postal Co. will have that service back and then it will have to transfer to the Western Union. And that is being done thousands of times every day. Where is there any general benefit to the public under a system of that kind?

The CHAIRMAN. That destroys efficiency and delays communication?

Mr. SMALL. It certainly does. And you take these letters, which I submitted here, 21 of them on one division of a railroad, where they are delayed from 1 hour and 40 minutes to 15 hours and 55 minutes, because the operator was busy loading cotton. On the Western Union, perhaps, in the Pueblo Valley, in the State of Washington, he is loading fruit, and when you get up in the border country of Montana, he is loading apples.

Mr. RAMSEYER. That is a very interesting point you make there. It is the business, though, of the Postal operator, if he takes a telegram, first to see whether there is an office?

Mr. SMALL. To be sure.

Mr. RAMSEYER. But you say many of them do not do that?

Mr. SMALL. On that point, that occurs in large offices, and the reason for that is where I speak of general inefficiency, it starts right at the counter right at the front office. A telegram is filed at the front office and moves upstairs to the operating room for them to put over the wire, we will say, from Washington to Chicago, and that is a copper wire and about 600 miles in length. You have to consider the value of your plant, the instruments and the wire, and the four men, two at each end, working on it. Now, if you have inefficiency at the front counter and then you send up a batch of stuff

that is not readable, which is happening every day on both wires, when it gets to the wire it chokes the plant where your money is invested.

Mr. MADDEN. Do you think that would be improved, that they would not send messages up to the operating room that were unreadable if it was under Government supervision?

Mr. SMALL. It certainly would be improved if it was under Government supervision.

Mr. MADDEN. How can you say that?

Mr. SMALL. I can convince you—

Mr. MADDEN. Do you mean to say that the men working in the post office are more efficient than the men working anywhere else?

Mr. SMALL. No, sir; but I mean to say this, that you or I as counter clerks, it is our duty when we take up the telegrams from customers to read them so as to know what they are; if we can not read them it is foolish for us to put them in the tube and chute them upstairs five or ten flights to those who have never seen them and have never seen the customers and who can not read them.

Mr. MADDEN. Will you guarantee the post office clerks can decipher them?

Mr. SMALL. I won't guarantee the post office clerks can decipher them, but I will guarantee this: Under competition you are seeking business, and a gentleman who can not write plainly comes in with a telegram and gives it to you, and out of courtesy you are going to try to translate it and not offend him by asking what this word is and what that word is, and so on; because if you do you offend him and he will go somewhere else.

Mr. MADDEN. And you think you can offend him if you are working for the Government with safety?

Mr. SMALL. No, sir. He will either leave your office offended now or take it to the Western Union; but if you have just one system, if you consolidate the two companies and put them under Government ownership, you put that company in a position to demand that they get legible copy, is not that right?

Mr. MADDEN. I do not know whether it is right or not; but it would be wise.

Mr. SMALL. It certainly would be wise; and even if you can not get legible copy, when it gets to the wire it should be readable, so as not to stop the wire.

Mr. MADDEN. I agree with you.

Mr. SMALL. That is not the case now.

Mr. MADDEN. I think, Mr. Small, you have stated that when the war is over and peace is resumed that we would have an era of the greatest prosperity in the West that we have ever had?

Mr. SMALL. Yes.

Mr. MADDEN. And that immigration would be so intense?

Mr. SMALL. Not so strong as that.

Mr. MADDEN. Well, whatever it is; I am not using your language because I do not pretend to remember, but you said that necessity would develop for a greater efficiency in the telegraph service. Now, how do you reconcile the boom in immigration as the necessity, as resulting in a business necessity, with the recommendation from Mr. Morrison, secretary of the American Federation of Labor, to the

effect that legislation be effected prohibiting immigration for the next four years?

Mr. SMALL. I do not have in mind particularly immigration from foreign countries; I had in mind a movement of our own people westward.

Mr. HOLLAND. I want to see if I understood you correctly. I understood you to say that so far as the telephone companies are concerned they ought to be returned to private ownership.

Mr. SMALL. I do not know whether I said it that plainly. I said that I do not claim to be thoroughly conversant in telephone matters, but my experience has shown me that the great bulk of the telephone business is either within the State or but a short distance over the border.

Mr. HOLLAND. Being within the State, or being intrastate business, your judgment is that it can be conducted just as well under private ownership as under Government ownership?

Mr. SMALL. I believe it would be conducted better for the reason we have so many community lines, as has been stated here, connected up with these exchanges.

Mr. HOLLAND. It is your judgment there is no necessity for an extension of Government control over the telephone lines?

Mr. SMALL. No; along the lines—do I understand your question to mean that I am not in favor of Government ownership of telephones, or supervision?

Mr. HOLLAND. As I understand it, you are in favor of general Government ownership of all public utilities; am I right?

Mr. SMALL. No, sir.

Mr. HOLLAND. What utilities would you exclude?

Mr. SMALL. Well, I won't enumerate them, but I would not go further in the telephone proposition than I did in answer to this gentleman's [Mr. Ramseyer] question.

Mr. HOLLAND. How far would you go?

Mr. SMALL. Oh, I would go on the railroad question of Government ownership; I would say—

Mr. HOLLAND. I would rather you would confine yourself to telephone ownership, because that is the question under consideration—telephone and telegraphs.

Mr. SMALL. You just asked me as to general utilities.

Mr. HOLLAND. All right; go ahead, I did. But I would suggest that you limit it to these two things.

Mr. SMALL. I just want to state one idea I have carried in mind for years on the Government ownership of railroads?

Mr. HOLLAND. Limit it, if you please, to telephone and telegraphs.

Mr. SMALL. Let me get this idea before you folks, because it may do some good. In the consideration of the Government ownership of railroads, and keeping in mind all of the strife we have had with rates, the Spokane rate question, and so forth and so on, back haul and all that, the hauling of loads west and empties east, which we have to contend with now, here is this one idea I want to convey to you gentlemen: If we had a mileage rate—a mileage classification rate on freight throughout the entire country—it would simplify matters; it would immediately stop the concentration of population in the large centers, or gradually stop it, and it would develop all of its numerous centers to manufacturing.

Mr. HOLLAND. Now, apply it to the telephone and telegraph.

Mr. SMALL. I answered your question on the telephone. My answer to this gentleman's [Mr. Ramseyer] question is my answer to you.

Mr. HOLLAND. Then you would not extend Government control to the telephone lines?

Mr. SMALL. No, sir.

The CHAIRMAN. What do you mean by Government control; do you mean that you think the Government ought right now to turn over the telephone lines, without any preparation, to the companies?

Mr. SMALL. No, sir. I do not have that in mind. I believe that the Government, now that they have taken supervision of the telephones, should consider it very carefully and turn them back in good shape when the proper time comes.

The CHAIRMAN. You think they ought to give a reasonable time for the return of them, and not to turn them back abruptly?

Mr. SMALL. Not to turn them back haphazard.

Mr. HOLLAND. Why?

Mr. SMALL. Because the Government has had charge of them for a certain length of time now, and we do not know what they have done that might upset their plans in the smooth running of the Government business.

Mr. HOLLAND. Isn't it true the longer the Government retains control of them, the worse the complications might be?

Mr. SMALL. That might be true; but that would not be a justification for throwing them back on a moment's notice.

Mr. HOLLAND. Then at the expiration of the further period, there would be still more difficulty in returning them to private ownership, wouldn't there? Of course, that is a matter of argument, and I will withdraw that question.

The CHAIRMAN. What has your experience in connection with these matters been? Wouldn't it be better for the Government, having already had control of them, and some of the companies desiring that the control be retained and some not—wouldn't it be to the best interests, not only of the companies but of the public and of the service, that a definite time be fixed when they are to be returned to the owners, to the end that the proper preparations may be made, and that the business managements of the companies can take them back and operate them as they once did?

Mr. SMALL. Do you include telephones in that?

The CHAIRMAN. I am speaking of the telephone companies now.

Mr. SMALL. Well, Mr. Chairman, I do not care to go into a detailed expression of view on that.

Mr. MADDEN. The witness has already answered that question.

Mr. SMALL. I would not care to express an expert opinion on that. I have stated already as much as I really know.

Mr. HOLLAND. I have another question or two. You stated just now that under Government operation the number of employees could be reduced. I understand you base that conclusion upon the fact that that could be done, provided the administrative, as well as the operating, force were practical and experienced telegraph men?

Mr. SMALL. No, sir.

Mr. HOLLAND. I did not so understand you?

Mr. SMALL. I will give you an illustration of how it can be done in the larger centers at present. We will take two Washington offices here, the Western Union and the Postal; they have both, we will say, one wire to the cable office in New York. It depends on the volume of business filed how heavy a load will be carried on that line. Now both companies have to keep that wire manned 24 hours a day, and if the public goes down to the Western Union and files the bulk of their business, or, vice versa, with the Postal, one of those lines and one of those crews is going to be idle two-thirds of the time waiting for material. If you have it under one system, in private ownership, it would bring on a revolution among the operators if you have to consolidate the two private companies; but under Government ownership all of this business will go over the one route and your surplus men are not called on; there is nobody remaining idle because you know just what volume of business you have to move.

Mr. HOLLAND. Let me ask you one further question and then I will stop. Can you name a single instance in which the Government has ever conducted any business with a fewer number of employees than the private individual?

Mr. SMALL. No, sir; and I hope I will never live to see the day that I can. I will tell you why: We had a witness testify here yesterday against Government ownership, and the strongest argument he put up was that when a private owner boss stands over your head with a club he can get the work out of you. Do you remember that?

Mr. HOLLAND. Then, aren't you rather inconsistent in stating that the number of employees can be reduced by reason of Government control?

Mr. SMALL. Why, no; not in the telegraph service. Is there any other member of the committee that does not understand that point?

Mr. RAMSEYER. I think I understand your attitude on it.

Mr. SMALL. But do you see the clerks, that one of them would be reduced? You take in your own State, the cities of Lynchburg and Roanoke, there are not over 150 to 200 messages each day, and yet those offices must be kept open from 8 o'clock in the morning until 10 at night.

Mr. RAMSEYER. I think I see it, and I think Mr. Holland does, too.

Mr. HOLLAND. What is that?

Mr. RAMSEYER. He was just explaining about where there would be a reduction in the number of employees in Lynchburg and Roanoke, that the offices there are duplicated.

Mr. LAMAR. Do I understand you to say that you heard Mr. Reynolds testify yesterday?

Mr. SMALL. Yes.

Mr. LAMAR. Do you remember that I asked him the question if Government messages were not delayed?

Mr. SMALL. I remember it.

Mr. LAMAR. And his answer that they were not delayed and that all messages submitted to the Postal Co. here in Washington were promptly sent out?

Mr. SMALL. I remember it.

Mr. LAMAR. You stated in your testimony here this morning that Government messages have been delayed here from 10 to 14 hours.

I want to know whether they were delayed according to the order of their filing or whether other business was given precedence to those Government messages.

Mr. SMALL. I would have to examine the files to answer that question, Mr. Lamar. But I want to say that Mr. Reynolds in making the answer he did I undoubtedly think was honest and could have had no intention of evading it, for the reason he could have no way of knowing these things unless he went right into the business and examined every telegram individually.

Mr. LAMAR. Do you know of any instance where Government messages have been presented to the Postal office in Washington and have been subsequently taken over to the Western Union to be sent?

Mr. SMALL. No. That might occur at the receiving department and I would never know of it. I sit down to a wire.

Mr. LAMAR. You do not know anything about messages presented at the counter below?

Mr. SMALL. I know nothing about them until they reach the operating room.

Mr. LAMAR. But you do know when they reach the operating room, for instance, that here is a file that contains Government messages and commercial messages?

Mr. SMALL. I would know that it contained Government messages and commercial messages; and sometimes they come over the branch wire from some of these branch offices.

Mr. LAMAR. But they do get into the operating room and are there handled by the operators?

Mr. SMALL. Yes, sir.

Mr. LAMAR. Now, will you kindly state just the method employed in that operating room here in Washington of handling these messages that come in—Government and other messages?

Mr. SMALL. You mean in moving them on the wire?

Mr. LAMAR. Yes.

Mr. SMALL. Why, they are not to be given preference; they are supposed to go in the order they are filed, unless it is something of extraordinary importance.

Mr. LAMAR. You mean to say that the particular instance you cited, of a message being delayed 10 to 14 hours—

Mr. SMALL. That was a cablegram.

Mr. LAMAR. A cablegram; well, the cablegram goes over the telegraph wires from the office here to the office in New York?

Mr. SMALL. From here to New York. This delay I referred to occurred between here and New York City, between here and the cable office. It was purely because they did not have the men to move it.

Mr. LAMAR. They did not have the men in the Washington office to move it?

Mr. SMALL. No.

Mr. MADDEN. I think you said it was because of the fact the men went from the Postal over to the other company?

Mr. SMALL. That was due to the fact—and to nothing else—we did not have the men to handle it.

Mr. LAMAR. You do not send all cable messages from Washington to New York over one wire; you can use any wire to send a cablegram from Washington to New York, as far as New York, can't you?

Mr. SMALL. Oh, you can use any wire if you have the men to man them.

Mr. LAMAR. You mean to say on this day you mention, then, all the cabling by the Postal was 10 or 14 hours behind in moving the messages—commercial and other messages?

Mr. SMALL. Cable messages.

Mr. LAMAR. Cable messages?

Mr. SMALL. Cable messages. This was at night.

Mr. LAMAR. Well, do you delay cable messages between here and New York; can't you send them on to the cable office in New York as soon as you receive them?

Mr. SMALL. What can you do with it, Mr. Lamar, if you have not the operators to move them?

Mr. LAMAR. But you had the operators there to move commercial messages. You do not mean to say the commercial messages were delayed here 10 to 14 hours in your office, do you?

Mr. SMALL. There were commercial messages delayed practically as long, but these being night messages it was not of particular importance as long as they got to destination at 8 o'clock in the morning.

Mr. LAMAR. Yes; but you say here is an important message from President Wilson—

Mr. SMALL. Oh, no.

Mr. LAMAR. What did you say? You said a very important message. Wherein was it important?

Mr. SMALL. It was important from the fact that it contained—this particular one I have in mind—a full copy of President Wilson's reply to Germany's first appeal for an armistice.

Mr. LAMAR. That was a Government message, wasn't it, being sent abroad?

Mr. SMALL. Not of the United States Government. This one was from the representative of a foreign government here, but its importance was just as great; it was for the information of his government.

Mr. LAMAR. But you have to treat foreign government messages just like you do United States Government messages?

Mr. SMALL. Oh, yes.

Mr. LAMAR. You give precedence to them under the same contract that the Government has with the telegraph companies, do you not?

Mr. SMALL. Yes, sir.

Mr. LAMAR. Then you mean to say that because a message happens to be marked "cable" that it does not receive the same treatment between here and New York that a message destined to New York would receive; is that your statement?

Mr. SMALL. Now, your question as you put it—you say that I mean to say. Please don't put words in my mouth, because I didn't say.

Mr. LAMAR. I do not mean to put words in your mouth; I simply want to get the facts.

Mr. SMALL. I did not make any such statement nor anything to lead anybody to believe any such thing.

Mr. LAMAR. Just tell me what you did mean?

Mr. SMALL. I stated that telegrams and lettergrams have been delayed between Washington and New York between four and ten hours and I will extend it to 12 hours; and that the principal cause

was the Postmaster General's approval of the Western Union granting a 15 per cent increase, causing the Postal operators to flock to the Western Union and leave the Postal with a half force. That is the whole statement and the whole facts.

Mr. MADDEN. That is what the gentleman said.

Mr. LAMAR. Whatever the facts may be, you were short in force in handling Government messages out of the Postal office?

Mr. STEENERSON. Handling all messages.

Mr. SMALL. Handling all messages. And that will apply with the other company. It does not apply alone to the Postal Co.; it applies to companies all over the land, and it will always apply from now on.

Mr. LAMAR. This order of the Postmaster General's, with relation to salaries, affected the Postal employees exactly the same as it affected Western Union employees, didn't it?

Mr. SMALL. No, sir.

Mr. LAMAR. Do you mean the last order or the first order?

Mr. SMALL. The last order.

Mr. LAMAR. The last order does not affect the Postal employees?

Mr. SMALL. No, sir. I am testifying here that it did not, and I am praying that it won't.

The chairman yesterday referred to the history in 1866, etc. I had in mind speaking several hundred words on that point, but I just want to say this, that I have been telegraphing for 36 years, and in that 36 years the only thing I have seen the Western Union do in an educational way for the operator is to place him in the pool rooms when the pool rooms were running, and in the bucket shops when the bucket shops were running, and in the saloons, all over the country when prize fights were permitted.

Mr. MADDEN. To report the news?

Mr. SMALL. To report the news. They picked out the youngest and most intelligent of the operators; they educated them in book-making, in robbing the public in the bucket shops, and becoming drunkards by association with prize fighters and saloon men. And yesterday at the close of the testimony of one of the gentlemen I heard the remark "floaters and drunkards."

The CHAIRMAN. What has that to do with the law that was referred to?

Mr. SMALL. It has this to do with it, I want to protest here, if it is the last word I have to say, against the statement that the men in my profession are floaters and drunkards.

The CHAIRMAN. What I want to ask you is what has that reference to do with the law?

Mr. SMALL. That recalled to me all those things I had no intention of referring to, about this abuse of pool rooms and bucket shops.

The CHAIRMAN. There is nothing in the law that authorized that.

Mr. SMALL. I agree with you there.

Mr. RAMSEYER. He is not criticizing the chairman for referring to history.

Mr. MADDEN. What I want you to refer to is that since 1866 we have had plenty of time to remedy those things?

Mr. SMALL. We have had plenty of time to remedy those things.

Mr. PAIGE. The opportunity for education in the saloons is passed now, isn't it?

Mr. SMALL. The opportunity for education in the saloons has passed, but we have another evil to contend with now, and that is the bonus system. I do not mean the paying of the bonus, but the speeding up of the wires.

The CHAIRMAN. Were you ever in the employ of the Western Union?

Mr. SMALL. Yes, sir.

The CHAIRMAN. What made you quit?

Mr. SMALL. I did not quit.

The CHAIRMAN. What made you leave them?

Mr. PAIGE. That is not a fair question to ask him.

Mr. SMALL. I am willing to answer that.

The CHAIRMAN. That is a competent question, as any lawyer knows.

Mr. SMALL. I am glad to answer it.

The CHAIRMAN. If he does not want to answer it, let him not answer.

Mr. SMALL. I will change my answer. The last time I worked for the Western Union I did resign, but I was not working under my own name. I resigned because I had been working for them in the Helena, Mont., office for a number of months, and the local manager knew who I was. The local manager and I were strikers in 1883. And they would not increase my wages higher than \$80 a month and I had the heaviest work. Rather than increase my wages they paid the railroad fare and the Pullman fare for a man to come from Omaha to Helena, and I quit.

The CHAIRMAN. That was the first time?

Mr. SMALL. No; the last time. The next time I went to Spokane and applied for a position with the Western Union under this "flag," as we call it, under this assumed name, and it was O. K., and I worked there two weeks until some of my associates let the cat out of the bag and I was called before the throne, and he said, "Why, I hear your name is not Smart;" and I told him no; that I supposed he knew. I got my time, and from there I went up to Canada and put in several years in Canada.

The CHAIRMAN. Now, is your name Smart or Small?

Mr. SMALL. My name is Small—Sylvester J. Small.

The CHAIRMAN. That is your real name?

Mr. SMALL. That is my real name.

The CHAIRMAN. What is the idea in going under an assumed name?

Mr. SMALL. My idea in going under an assumed name is I was president of the International Commercial Telegraphers' Union from 1904 to 1907, and during my incumbency in office I tried to do with the local management of the Postal what I am trying to do here partially, and I could not succeed without cooperation with the Western Union, and it finally resulted in a walkout; not a strike but in a walkout. And since that time I have not been able to work anywhere under my name in the United States for a commercial company or for a railroad. And I have always told them that I did not care, either.

Mr. MADDEN. Does that indicate there is a system of boycott?

Mr. SMALL. Why, there certainly is.

Mr. OLIVER. It is a black list.

Mr. SMALL. And I defy you where you can catch a telegraph company on their black list and punish them for it.

The CHAIRMAN. Is that the habit of these telegraph companies to treat men that way?

Mr. SMALL. It certainly is. When I came to work here in Washington, I knew they were short of men and I went up and applied under the name of Samuels, and I was put to work. Within three hours after I was put to work they knew who I was, because everybody in the country knows me; but I was on the pay roll and they could not discharge me then without giving some reason, and they have not done so.

The CHAIRMAN. That is the way private monopoly of the telephone and telegraph companies affects individuals, does it?

Mr. SMALL. That is the way it affects individuals.

Mr. MADDEN. They have several cases of the railway mail clerks and men in other branches of the Postal Service that have been discharged by the Postmaster General for similar reasons.

Mr. SMALL. Yes, sir.

Mr. RAMSEYER. You are under the Postal now?

Mr. SMALL. Yes.

Mr. RAMSEYER. Under what name?

Mr. SMALL. Under the name of J. R. Samuels.

Mr. MADDEN. If you were in a similar position under the Government service, do you suppose you could get back under an assumed name at all anywhere in the Government?

Mr. STEENERSON. If you were discharged?

Mr. SMALL. If I was discharged from the Government service?

Mr. STEENERSON. Yes.

Mr. SMALL. They would not discharge me without a legitimate reason.

Mr. MADDEN. They do; they have discharged several men belonging to unions. Mr. Ryan, president of the Railway Mail Clerks Association, has been discharged because he expressed some opinions, and I can give you the names of half a dozen other men who have been discharged for the same reason.

Mr. RAMSEYER. Mr. Reynolds was discharged.

Mr. STEENERSON. How could you get back in the Government employ if the Government controlled all the telegraphs?

Mr. SMALL. Well, that is beside the question, really.

Mr. MADDEN. Yes, of course it is; we ought not to go into that.

STATEMENT OF PROF. ARTHUR M. HOLCOMBE, MEMBER OF THE COMMITTEE ON TELEPHONE RATE STANDARDIZATION, UNITED STATES POST OFFICE DEPARTMENT.

The CHAIRMAN. Please give your name and state what you are.

Prof. HOLCOMBE. I am by occupation a professor in Harvard College.

Mr. MADDEN. In what line?

Prof. HOLCOMBE. I am a professor in what we call there the department of government; that is to say, I teach subjects in economics and political science, public law, administrative law, and subjects of that kind.

Mr. MADDEN. You are what is known as a professor of economics?

Prof. HOLCOMBE. My title is professor of government.

Mr. MADDEN. Are you a professor or teacher—they have two designations, I believe?

Prof. HOLCOMBE. I am carried on the books as assistant professor.

Since the beginning of the war, I should add, I have been here in Washington assisting the Commissioner of Internal Revenue in working out forms and regulations under the income and excess-profits tax laws. But more recently I have been assisting Mr. Baruch, of the War Industries Board, and in December I was appointed by the Postmaster General a member of the committee on telephone rate standardization. That committee is a committee of five, of which Mr. David J. Lewis is the chairman and is the representative of the Post Office Department.

Mr. MADDEN. Who are the other members?

Prof. HOLCOMBE. The other members are Mr. Thayer, one of the vice presidents of the American Telephone & Telegraph Co.; Mr. MacVeigh, president of the Ohio State Telephone Co., one of the principal independent telephone companies; Mr. Simpson, a member of the public Service Commission of the State of Missouri; and myself. Obviously, I can not speak for the other members of a committee so constituted. I have, myself, no financial interest in the telephone industry in any way whatsoever; and I have no other connection with the Post Office Department than as a member of that committee.

Mr. RAMSEYER. Have you any connection with the telegraph industry?

Prof. HOLCOMBE. None whatever.

Mr. MADDEN. What is your salary in the position you occupy?

Prof. HOLCOMBE. I have no salary in that position.

Mr. MADDEN. Who pays the salary that you do draw?

Prof. HOLCOMBE. The salary I have received in Washington has been paid through the United States Bureau of Efficiency.

Mr. MADDEN. That is the bureau over which Mr. Brown presides?

Prof. HOLCOMBE. Yes, sir; Mr. Brown. I have had no connection, however, with the work of the bureau in any of the offices other than those which I have mentioned.

Mr. MADDEN. Are you performing duties now under Mr. Brown's direction?

Prof. HOLCOMBE. Not under his direction, but by his consent.

Mr. MADDEN. How do you get on the pay roll of the Bureau of Efficiency of the Government of the United States, if Mr. Brown has no jurisdiction over your employment?

Prof. HOLCOMBE. He has jurisdiction over my employment.

Mr. MADDEN. How does he transfer you to this position of telephone rate expert?

Prof. HOLCOMBE. I have not been transferred to any other pay roll or to a position under the direction of any other administrative officer; but I have been designated by him to perform that service at the request of the Postmaster General.

Mr. MADDEN. That is sort of an anomalous situation. Here we make an appropriation of \$150,000 a year to maintain the Bureau of Efficiency and we find that the people who are on that pay roll are not engaged in the work for which the bureau was organized.

Prof. HOLCOMBE. The bureau itself has no administrative work; its only work is to help other departments of the Government. And that, Mr. Madden, is the——

Mr. MADDEN. What compensation do you receive? .

Prof. HOLCOMBE. On the staff of the bureau?

Mr. MADDEN. As an employee of the Bureau of Efficiency?

Prof. HOLCOMBE. \$4,800 a year.

Mr. MADDEN. \$4,800 a year. How long have you been in that service?

Prof. HOLCOMBE. Since the latter part of June, 1917.

The CHAIRMAN. You are just a member of the committee that has been selected by the Postmaster General.

Prof. HOLCOMBE. I might add, Mr. Chairman, if the subject interests the committee, that I suppose I was appointed by the Postmaster General to that committee on telephone rate standardization not because I happened to be connected with the United States Bureau of Efficiency but because prior to the war I had spent two years in Europe studying public law and public administration in various European countries, and I wrote the results of my observations and reflections, so far as the telephone industry is concerned, in a book published under the title "Public Ownership of Telephones"; and I presume he wished to have, as one member of that committee, a man who represented something different from the other members of the committee.

Mr. STEENERSON. Do you in that book favor Government ownership of telephones?

Prof. HOLCOMBE. I think that a fairer statement of the conclusion of that book would be this, Mr. Steenerson, that I found that Government ownership, in some European countries, seemed to work well, to give adequate service, satisfactory service, at reasonable rates; that in other countries it did not work well, it gave neither adequate service nor reasonable rates. And I reached the conclusion that the question of ownership was a much less important question than the question of organization.

Mr. STEENERSON. What makes you say, then, that the Postmaster General wanted you because you differed from the others? You know Mr. Lewis is a government-ownership man?

Prof. HOLCOMBE. Mr. Lewis, of course, represents the Post Office Department on that committee.

Mr. STEENERSON. The Postmaster General, I am convinced he favors it and has always favored Government ownership? Isn't that right?

Prof. HOLCOMBE. Oh, yes; yes, indeed.

Mr. STEENERSON. How do you claim you differ in that respect? That is the reason you were selected?

Prof. HOLCOMBE. No; I think we differ in some other respects.

Mr. STEENERSON. I understood you to say that you were selected because of this writing and that that indicated that you had a different view from the other members?

Prof. HOLCOMBE. Mr. Steenerson, I would not undertake to say why the Postmaster General selected me——

Mr. STEENERSON. But you did undertake to say?

Prof. HOLCOMBE (continuing). But I believe the fact I had shown, perhaps, some knowledge of the conditions abroad, both under public and private ownership in those countries, led him, possibly, to believe I would be a useful member of that committee.

Mr. STEENERSON. It was not, then, on the theory that you were representing a different point of view from the other members of this board?

Prof. HOLCOMBE. I can not say what his theory was, Mr. Steenerson.

Mr. STEENERSON. I understood you to start out by saying you thought you had been selected because you represented a different view from the others?

Prof. HOLCOMBE. No; I said I supposed I had been selected because I represented a somewhat different point of view than any other member of the committee.

Mr. STEENERSON. Because your book favored both sides; in some places you wanted Government ownership and in some places you did not—is that it?

Prof. HOLCOMBE. I can not say as to that, Mr. Steenerson.

Mr. STEENERSON. I understood that your book did assert or conclude that Government ownership was a good thing in some countries and in other countries it wasn't?

Prof. HOLCOMBE. That was not the impression I intended to convey.

Mr. STEENERSON. What was the impression you intended to convey?

Prof. HOLCOMBE. What I meant to say was I found it worked well in some countries and not well in others, and I reached the conclusion that the form of ownership was not the most important question but rather the form of organization.

Mr. STEENERSON. And that is an explanation of your selection as a member of this board; that is, what you have said here?

Prof. HOLCOMBE. I presume so, sir.

Mr. MADDEN. I think you stated Mr. Lewis represented the Post Office Department. Don't all the members of this committee represent the Post Office Department?

Prof. HOLCOMBE. They are acting for the Post Office Department, but I suppose it would hardly be just to say, for example, a member of the Public Service Commission of the State of Missouri represents the Post Office Department. I take it he is there rather to represent the experience and the knowledge of local conditions which one would expect to find in a person serving in his capacity.

Mr. MADDEN. Do you think anybody who differed with the opinion of the Postmaster General would be allowed to stay on the committee very long?

Prof. HOLCOMBE. Oh, I have no question it is his intention to permit each member of the committee to act upon his own best judgment, without any attempt to interfere, except by furnishing us with information.

Mr. RAMSEYER. Are you the only member of this committee who has made a special study of the laws and operations of telephones in foreign countries?

Prof. HOLCOMBE. I can not answer as to the others. I know of no book published by the others, but that would not indicate that they had not made, privately, considerable study of conditions abroad.

Mr. RAMSEYER. Did you travel abroad?

Prof. HOLCOMBE. Yes, sir.

Mr. RAMSEYER. And studied the laws and operations of the telephone in foreign countries?

Prof. HOLCOMBE. That is correct.

Mr. RAMSEYER. Right on the ground?

Prof. HOLCOMBE. Right on the ground.

Mr. RAMSEYER. And in that respect you do represent a different view on the committee from the others, that you tried to say in the beginning; not that you favor or oppose Government ownership, but your study of this question abroad gives you a different angle?

The CHAIRMAN. You mean, Mr. Ramseyer, that he has a different experience and different means of obtaining knowledge from the others.

Prof. HOLCOMBE. I think that is possibly true, Mr. Chairman; but I think it would be better to say I do not represent the Bell Telephone Co.; I do not represent the independent companies; I do not represent a public service commission of any State, and I do not represent the Post Office Department.

Mr. MADDEN. What you represent is views; is that right; that is, the views you have acquired by study?

Prof. HOLCOMBE. Yes, sir.

Mr. STEENERSON. Who represents the Bell Co.?

Prof. HOLCOMBE. Mr. Thayer, who is the vice president, or one of the vice presidents of the Bell Co.

Mr. STEENERSON. Who represents the independents?

Prof. HOLCOMBE. Mr. MacVeigh, the president of the Ohio State Telephone Co.

Mr. PAIGE. In your observations abroad, you state in some sections it worked well and in others it did not.

Prof. HOLCOMBE. Yes, sir.

Mr. PAIGE. And what was your experience where it did work well? Who was the beneficiary, the public, the Government, or the post office department?

Prof. HOLCOMBE. The two countries in which it worked best were Germany and Switzerland. In Germany the beneficiary was in part the public, through good service; and in part the Government, from the profits, because it took considerable profits out of the business. In Switzerland, I think, the beneficiary was the consumer, the telephone subscriber, and user. The Government operated the system at cost, without any attempt to make a profit except to see that in the operation of the properties they were covering expenses out of the receipts.

Mr. MADDEN. Could the operation of the telephone system in Switzerland be in any sense compared to the operation of our series of systems in the United States?

Prof. HOLCOMBE. It could not with respect to the scale of operations.

Mr. MADDEN. Could the difficulties be compared?

Prof. HOLCOMBE. Certain of them; yes.

Mr. PAIGE. How did you say it was in Germany?

Prof. HOLCOMBE. The service, I think, was good.

Mr. MADDEN. The witness, just a moment ago, stated he had reached the conclusion that perhaps it was not of so much importance what the ownership was, as to whether it was government or private, but, rather the importance dealt with the question of organization. Now, I would like to ask the witness whether he thinks it would be possible, under our political system—with pressure being brought to bear from every angle for the appointment and retention of people in the service—to make an organization that would produce the efficiency and the economy that a privately owned corporation can produce?

Prof. HOLCOMBE. Mr. Madden, I do not think I ought to undertake to inform you as to what is possible under our political conditions. That would be purely a matter of opinion.

Mr. MADDEN. But that is an important element in the case.

Prof. HOLCOMBE. I will say this: I believe that under Government ownership there is a possibility of adopting a better form of organization than under any form of private ownership. Now, whether that possibility could be taken advantage of to the fullest extent or not is, of course, a matter involving political considerations, upon which I should venture an opinion with some hesitation.

Mr. MADDEN. Have you reached the conclusion that it is not within the range of possibility for men trained in the art of organization and with technical and scientific management of businesses of all kinds, including telephone companies, to make an organization that is as efficient as it is for the Government of the United States to make it?

Prof. HOLCOMBE. I think, Mr. Madden, that the best possible form of organization can only be accomplished under that complete control, complete and undivided control, which is only possible under Government ownership. Now it may be that the best practicable form of organization will have to be secured in some other way.

Mr. MADDEN. That is what we are after, the practicability of it. It is not the theoretical, or the illusive, thing we are looking for.

Prof. HOLCOMBE. But whether that be true or not is a matter that one could discover only by the method of trial and experience.

Mr. MADDEN. Yes; that is true.

Prof. HOLCOMBE. Personally, perhaps I owe it to you to add to my answer that I believe that the best possible system can be obtained under existing political conditions; for, after all, I am a sanguine man about American political conditions. I believe when the whole truth is placed before those responsible for a decision, that the wisest decision would be agreed upon.

Mr. MADDEN. Then have you given any consideration to the fact that we have called over 68,000 war workers into the offices in the city of Washington, and that the services of only 2,500 of those people have been dispensed with since the conclusion of the war; that we have passed legislation under which we are obligated to pay the expenses of those people back to their homes, if they will only resign, because they won't discharge them, and that there are over 30,000 of those people on the pay roll to-day that won't be discharged and we can not get rid of them?

The CHAIRMAN. You are asking a question there that assumes so many things that we deny. Wouldn't it be better not to assume so many things on which other people disagree with you?

Prof. HOLCOMBE. I was not sure you asked the question of me.

Mr. MADDEN. Yes; I asked the question if you had given any study to that situation?

Prof. HOLCOMBE. The existing conditions to which you refer are outside of my direct knowledge.

Mr. MADDEN. As a student of economics I was wondering whether you would call that efficiency; that is the point. Would you call that the kind of organization that would produce efficiency, and if that condition exists to-day might it not exist by Government control and operation of the telephones and telegraph?

Mr. AYRES. Is that a question based upon actual facts or a hypothetical question?

Mr. MADDEN. The statement is based on actual facts.

The CHAIRMAN. You mean it is based upon facts as you understand them.

Mr. MADDEN. I base that upon facts which I state upon my responsibility as a Member of Congress.

The CHAIRMAN. Some of us might differ with you on that.

Mr. HOLLAND. Let him make his statement now and then answer the questions afterwards.

Mr. STEENERSON. I would hardly expect the witness to answer that question.

Mr. MADDEN. I am not going to insist upon an answer. I think he can give us his opinion about it, but if he is not disposed to answer I won't insist upon it.

The CHAIRMAN. If you will put a question that won't disagree with the facts—

Prof. HOLCOMBE. I do not wish to be put in the position of wishing to evade answering.

Mr. STERLING. You heard the testimony of Mr. Small, the preceding witness?

Prof. HOLCOMBE. Yes.

Mr. STERLING. You gathered from his testimony he was an experienced man and he understood the business of that concern?

Prof. HOLCOMBE. Yes, sir.

Mr. STERLING. I, as a member of the committee, drew the conclusion from his knowledge of the telegraph business and administration, that he favored not only immediate control of the telegraph lines of the country, but Government ownership, and that that would afford a more efficient administration to the public without any additional cost, if properly managed. Was that your conclusion from his testimony?

Prof. HOLCOMBE. Yes, sir.

Mr. STERLING. Now, as a professor of government, in one of the colleges of the country, whose duty it is to study economics, what is your opinion and how does it coincide with the opinion of that man who is an experienced telegrapher as to service?

Prof. HOLCOMBE. On that point I agree with Mr. Small without reservation.

Mr. STERLING. Now, I deduct this conclusion from his testimony, as a member of the committee, that on the telephone lines, where he is not an expert and has not been identified with that business, that he was not so certain that he was convinced we must have Government ownership of the telephone lines. He was not even committed to permanent control, to no more than temporary control, and his reason there was because of intrastate conditions, and not only the possibility, but the probability, that the lines and the system was useless after a message went more than three or four hundred miles, because of the inaccuracy of the reception of it, and for that reason it was not as of much service to the public even though the Government would take it over. Is that what you got from his testimony as to the telephone lines, that he was uncertain as to that?

Prof. HOLCOMBE. As to that, yes; he was uncertain.

Mr. AYRES. And the further fact. Mr. Sterling, that it was luxury.

Mr. STERLING. Yes. Now, what I am trying to get at is the investigations you made. Those are two points we are not considering and the points on which you come here to give us your opinions from your study of those things. You have made a study of the things as a professor of government and economics?

Prof. HOLCOMBE. I came here for the purpose of answering such a question if a member of the committee wished—

Mr. STERLING. What I am trying to get at, in a nutshell, is how far you agree with him and how far you differ.

Prof. HOLCOMBE. I had not finished my answer—although it was not the first object of my asking to be heard.

Mr. STERLING. I know, but we are after the information; we have to pass on this resolution.

Prof. HOLCOMBE. I am very glad to furnish such as I have.

Mr. STERLING. Do you agree with him in his attitude on the first system, about the telegraph lines?

Prof. HOLCOMBE. Yes, sir.

Mr. STERLING. For the same reasons or any other additional ones?

Prof. HOLCOMBE. Some additional ones; yes, sir.

Mr. STERLING. Can you give us some of them?

Prof. HOLCOMBE. I mean to do that before I am through, if the committee so wishes. As to your second question, which I have not yet answered, I think it is practicable to reserve my reasons for a later hour and to give a direct answer to the main question. Now, as to the main question I believe that it would be the wise policy for the Government of the United States to obtain that complete control over the telephone industry which can be acquired only by ownership. I do not believe that it would be wise for the United States to attempt to administer the telephone system so acquired—at any rate the local exchange system so acquired—by as centralized a form of administration as it maintains for purposes of post office administration. Now, the reasons I will give later.

Mr. STERLING. I understand it to be a fundamental rule of evidence that a witness having answered the question put to him directly, he is permitted to explain it at length afterwards.

The CHAIRMAN. Oh, yes.

(Thereupon, at 12.50 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee reconvened pursuant to the taking of the recess, at 2 o'clock p. m.

STATEMENT OF PROF. ARTHUR M. HOLCOMBE—Resumed.

Prof. HOLCOMBE. Mr. Chairman and gentlemen, my purpose in asking the committee to hear me was simply to furnish further information, briefly, on one or two points which had been discussed by earlier witnesses and on which it seemed to me the committee was or ought to have further information.

The first of those points is the matter of the so-called service-connection charges—the service-connection charges which were established by the Postmaster General in August. The service-connection charge was a charge varying from five to fifteen dollars, assessed against the telephone subscriber having a telephone instrument put into his home or place of business. That service-connection charge, it was stated in the evidence here, was unreasonably high, if the only matter to be considered was the cost of making the connection. There were other reasons, however, for that service-connection charge, and I think the whole story of that charge will serve to illustrate one of the advantages of Government control at this particular time.

Last August the War Department was making heavy demands upon the telephone industry of the country both for material (for lines, for wire, and equipment) and for personnel; particularly linemen and skilled electricians. The Signal Corps needed larger quantities of material and more trained men than it was easy to get.

Now, there were various ways of meeting that situation in order to give proper assistance to the War Department. One way would have been for the Capital Issues Committee to have disapproved applications by the telephone companies in connection with petitions for the issue of additional securities designed to raise capital. A moment's reflection will indicate that it would not have been an effective mode of dealing with the problem and could not have been relied upon to secure the desired result. The Bell Co. alone, if my memory is correct, applied for permission to issue upward of \$50,000,000 additional securities in order to extend their lines and facilities, and obviously it would not have been practicable to attach to the approval of that issue conditions which would have effectually controlled the making of extensions or connections in particular cases. What was needed was some method of dealing with the situation which would have made allowances for individual cases, made better allowance for individual cases than could have been made under any general regulations established by the Capital Issues Committee in connection with the floating of securities.

Another method would have been through the War Industries Board. The War Industries Board at that time, as you gentlemen know, was making agreements with many industries providing for a voluntary curtailment of output on the part of the manufacturing concerns engaged in various industries; for example, in the automobile industry, in so far as the manufacture of pleasure cars was

concerned, where the reduction was to one-fourth of the normal output. Obviously that would have been ineffective in this case, when applied to manufacturers of telephone apparatus, and would not have met the real difficulty—the question of what additional subscribers should get service and under what conditions. Therefore, the Postmaster General dealt with the subject directly by establishing service connection charges which, would prevent demands for new connections unless the demand was really urgent. That was the prime purpose of the order.

At the same time there is some justification for a special service connection charge. Clearly, persons who put in the telephone and keep it for a long period of time without expense to the telephone company ought not to be charged with a substantial portion of the cost of moving or installing equipment for persons whose demand for service is temporary or is constantly subject to change, so far as the location of the service is concerned. So that a reasonable service-connection charge is, in my opinion, justifiable as a normal feature of the telephone-rate schedule.

After the signing of the armistice (to be accurate, on November 18, 1918) the Postmaster General issued another order which was reprinted in the hearings held by this committee a week ago; but apparently, so far as the evidence put before you by witnesses earlier in the week is concerned, it had not come to their attention. On November 18, 1918, the Postmaster General issued another order reducing those charges from \$5, \$10, and \$15 to \$3.50, \$3, and \$1.50, respectively, depending upon various circumstances.

It seemed to me you are entitled to full information concerning that particular set of orders.

The other matter that I wanted to discuss very briefly is the general matter of long-distance rates. I do not think it is necessary to go into the details of the long-distance rate schedule, but I simply want to set before you certain considerations that must be borne in mind in a fixing of long-distance telephone rates and which will indicate that the national, rather than purely local, point of view must be allowed for.

In telephone rates we have to consider first, of course, the cost of service. Now, it is possible to compute the cost of service as a whole, but when it comes to any particular cost of service it is not possible to compute the cost of that particular service entirely and separately from other services, for the lines and equipment which are used to render that service are part of a system which is there for other uses and which must be maintained for other uses as well as for that particular use. Putting it differently, the telephone costs fall into two main classes; one, those elements of cost that vary directly with the unit of service, whatever the unit may be. There are some costs that vary with the method that is adopted, and in that case the method is taken as the unit of cost. There are some costs that vary with the traffic station, if you take the subscriber's station. Whichever method you take there are certain direct units of cost that may be allocated to the subscriber and computed. Then there are other costs which do not bear directly with that service and, consequently, can not be assessed directly to the user—the subscriber. Those costs are the costs of maintaining the central office, of maintaining the equip-

ment generally with the exception of that running directly to the subscriber's station—the overhead expenses of the telephone organization and so on. Therefore it is obvious that, as in other public services, there are two kinds of costs. And in the telephone service those costs which vary directly with the unit of service, whichever one you take, are a much smaller percentage of the total than in most public utilities.

Secondly, there is the value of service. The value of service varies to different users in different ways. To some users the value of the service may be measured by the number of messages that originate over their lines; to other subscribers the value may be measured rather by the incoming than the outgoing messages over the lines, or to both. Furthermore, in designating the value of the service, one must bear in mind that the service has a value merely because it exists, quite apart from its use. For example, an individual may well subscribe to telephone service primarily with the idea of having rapid communication with the physician, although it may be he will never have occasion to use it for that purpose. In other words, the service has a value in use and it has a value for use, irrespective of the actual use to which it shall be put.

Thirdly, the telephone system has a value as a whole, quite apart from the value to the subscriber who wants to communicate with a number of subscribers less than the whole number. In other words, one must consider a fourth factor in telephone rates, and that is the making of rates which will develop the service and thereby increase its potential value, not only to the actual users but to the possible users.

Another element—I am naming these very briefly, because I do not want to take more time than is necessary—in telephone rates is that which I might describe as perfection of service. It is not only to the interest of the community that the largest possible number of persons may be reached by telephone, whether they actually use it or not, but it is also necessary in making rates to make rates in such a way that one class of users will not utilize the lines and equipment in such a way as to prevent another class from making their necessary and proper use of that equipment. To take an illustration, it might well be that in some cases a flat rate for an unlimited service would develop traffic over a given line which would prevent some other user, who wanted to get that line only occasionally perhaps, but promptly when he wanted it, from getting it without excessive delay or great inconvenience. So that one must consider not only the effect of the rate upon the traffic which is actually moved by that rate, but also the effect of the rate upon the traffic that others may wish to move.

Without going further into the theory of rates, which after all is not directly pertinent, I simply want to point out that the question of telephone rates is an exceedingly complicated question; and in its consideration it is necessary not only to take a local view, but it is necessary, so far as exchange rates are concerned, to also take a very broad view, and certainly, so far as long-distance rates are concerned, to take as broad a view perhaps as in the case of the telegram. It is necessary, at any rate, to take a broader view than the public service commission of a State, responsible to the people of that par-

ticular State, could be expected, under all possible conditions, to take.

I just wanted to make those general remarks in explanation of the standardization of toll rates.

Mr. MADDEN. Do you consider that service charge, even though it may be just in principle, is justified where there is no service rendered by the company to put the instrument at the service of the user?

Prof. HOLCOMBE. A small charge, yes; although a lower charge than in the case where a station has to be moved and lines have to be moved.

Mr. MADDEN. For example, suppose we are occupying an office and you decide to move out at 12 o'clock to-day and I take your place and the telephone is on the table when I come in?

Prof. HOLCOMBE. That is the case I had in mind. But there are still certain costs which it seems to me may properly be charged against the new subscriber. They are setting up a new name in the directory listings. It means more than the mere setting up of the new name in the directory listing; it means the printing of the new name in the place of the old name; it means on the books of the telephone company the old ledger account, if that be the method of bookkeeping, must be removed and a new ledger account set up, and that in the office records the records relating to the old subscriber must be removed and records relating to the new subscriber must be established.

Mr. MADDEN. Now, right there: Do you consider that the work you have just described would add anything to the overhead charges of the company—that is, the clerical work connected with the transfer of the names—further than the paper that is used?

Prof. HOLCOMBE. Probably not.

Mr. MADDEN. In other words, would they have to employ more people to do that work of transferring accounts?

Prof. HOLCOMBE. They might not in a particular case, but there is always a point where more work means more help. In many cases it might not be so, but clearly there is work which is going to be paid for by somebody, if at all, and it seems to me fair, I think, as a general rule—although I would not make the statement without qualifications—that where the cost of a particular operation can be traced to a particular subscriber or user, that the cost ought to be allocated in that place.

Mr. MADDEN. Now you said, I think, that it is not fair to persons having substantially permanent telephone facilities, to be compelled to pay the cost of the installation of telephones of those who have them only for a temporary period. What do you mean by that?

Prof. HOLCOMBE. Why, it seems to me, some consideration may well be had in favor of the subscriber who is a steady subscriber.

Mr. MADDEN. How are you going to reduce the cost to the permanent subscriber if you charge him, at the beginning, the service installation fee?

Prof. HOLCOMBE. Of course, the longer he maintains his connection the lower the rate per annum that service charge will be.

Mr. MADDEN. True. I assumed, however, you meant to convey the idea that there was an imposition on the permanent subscriber or telephone user, that is, the man who had a permanent fixture, if

charges were not made against the person who wanted the telephone for temporary use only. But is what you meant by not being fair to the man who had a permanent fixture is that you should have a reduction in rates to him; is that what you mean?

Prof. HOLCOMBE. It might have that effect, for unless this service charge were levied, additional revenue would have to be procured in some other way.

Mr. MADDEN. Have you any idea what the percentage of transfers of telephone instruments, receivers, and so forth, is in proportion to the whole number of telephone instruments used annually?

Prof. HOLCOMBE. I can not state that figure. I do know, however, that the number of stations taken out is a very large percentage of the number of new stations added or installed.

Mr. MADDEN. In order to reach an intelligent conclusion as to the justice of the statement you have made that would in any wise justify the imposition of a service charge for the installation of a telephone, it seems to me that your study should have led you to an investigation of the number of instruments installed and the number of instruments removed annually and the percentage one would bear to the other, and the income or outgo incident to that work, before you could reach the conclusion it was wise to make a service charge?

Prof. HOLCOMBE. You are entirely correct. I have no doubt such evidence was before the committee when those orders were issued. I should have explained to you and intended to state and think perhaps I did, though without making it clear, that I was not appointed to the committee last August when those charges were first made. I was then on the War Industries Board. I was not appointed on this committee until December, after the orders were issued. And while I have not gone over the evidence in detail, which was before the committee at that time, I did endeavor to inform myself as to the general reasons for the action taken at that time.

Mr. MADDEN. But you have not made the complete study that the importance of the question would seem to justify, I take it?

Prof. HOLCOMBE. I, personally?

Mr. MADDEN. Yes.

Prof. HOLCOMBE. Not personally. But I could have that information laid before you; it is in the files.

Mr. MADDEN. It seems to me we ought to have that in order to have an intelligent conception of the reason for the charge.

Prof. HOLCOMBE. I can give you the figures roughly; it is between one and two years, on the average.

Mr. MADDEN. I do not mean length of time; I mean instruments.

Prof. HOLCOMBE. You can figure that out from the rough percentage.

Mr. MADDEN. I understood you to say it was possible to determine the cost of service as a whole, but not possible to determine it for any special service.

Prof. HOLCOMBE. Yes, sir.

Mr. MADDEN. What do you mean by service as a whole?

Prof. HOLCOMBE. The entire cost of maintaining the telephone system and operating it.

Mr. MADDEN. And divided by the number of instruments in use?

Prof. HOLCOMBE. I meant simply the total figures. Of course, if you divide that by the number of stations, you will get the average cost per station; but that is not the actual cost per station.

Mr. MADDEN. Nor the cost of depreciation.

Prof. HOLCOMBE. And not only that, but you do not know what the cost of operating that station is.

Mr. MADDEN. You would not know what the cost of operating the particular service was, but you would know for the whole service.

Prof. HOLCOMBE. You would know the average for the whole service, but that has not any application to a particular station.

Mr. MADDEN. No; I understand; but that has application to the cost of service, and it is based upon the average cost of service that the charge should be made, isn't it?

Prof. HOLCOMBE. It is merely one way of stating cost of service.

Mr. MADDEN. Of course, we all realize you can not always know the cost of an industry, and no matter how scientifically it is run.

Prof. HOLCOMBE. That is true; but there are a few businesses where the proportion of variable costs to which you can calculate is not so large as it is in the telephone business. And that is one thing which makes it so different from many other businesses.

Mr. MADDEN. Of course, when you take into account the average cost, you take the overhead charges, and deterioration of the equipment, and the upkeep, and renewals, and interest charges, and all that, I suppose, don't you?

Prof. HOLCOMBE. Yes, sir.

Mr. MADDEN. That includes, of course, the taking out and restoring of instruments?

Prof. HOLCOMBE. Yes, indeed.

Mr. MADDEN. That, then, is the cost. Now, if cost is ascertained from these factors, is there any justification in your judgment for the imposition of a service charge when, as a matter of fact, all these elements have entered into the average cost?

Prof. HOLCOMBE. Yes, sir; for two reasons, one of which I have stated and the other I will state now. It is unquestionably in the interest of economy and efficiency of operation to distinguish unnecessary connections, disconnections, and particular changes; and if a small charge will have the effect of deterring a subscriber from having a change made which is a matter of little moment to him, the effect is to save the time of the personnel and, therefore, the expenses of the company, without any corresponding detriment to the service as a whole or to the individual subscriber.

Mr. MADDEN. Have you made any study of the percentage of the total income of the telephone companies received from their long-distance service?

Prof. HOLCOMBE. The term "long distance" has different meanings; but taking it in its broadest meaning—

Mr. MADDEN. Taking it as the toll service.

Prof. HOLCOMBE. Yes; taking it as the toll service, I suppose the revenue from toll charges is perhaps about 5 per cent of the total.

Mr. MADDEN. Do you know whether it is the policy—this may not be a proper question, and I do not know that it is, but I am asking it for information and it is my ignorance that perhaps induces me to put this question—do you know whether it is the policy of the large

telephone companies—the Bell Telephone and what other companies there may be—to consolidate or acquire or absorb the small telephone companies operating within our villages of a thousand or two thousand, or three, four, or five thousand population; or whether, as a matter of fact, it is much more advantageous to them to let these companies operate independently and take such revenue as may come through the operations of these companies on the toll lines?

Prof. HOLCOMBE. I do not believe, Mr. Madden, I ought to state what is the policy of the companies. Of course, I have no direct information on that point; but, judging their policy by what they have done, I should say it was their policy to absorb those smaller companies into their system, or, at any rate, to establish operating arrangements with smaller companies that would serve as feeders to their systems.

Mr. MADDEN. What I wanted to ask, perhaps, was this—really what I had in mind to ask you was what you think of the wisdom and utility of the operation of small individual companies, having long-distance connections, where small charges for the local services are made to the communities in contradistinction of the operation of those small companies by the big companies both locally and as a total proposition?

Prof. HOLCOMBE. Have you reference to the so-called farmers' lines?

Mr. MADDEN. No; for example, I just have in mind any village of a thousand or two thousand, where a local company may incorporate.

Prof. HOLCOMBE. Operating one exchange for from 10 to 50 subscribers?

Mr. MADDEN. There may be two or three hundred subscribers, or there might be a thousand subscribers. They might have it in every house and charge a dollar and a half a month. While \$1.50 is the initial charge, of course, the amount of use you get depends upon how many toll charges you pay.

Mr. BLACK. For example, down in my State, in Petersburg, the Citizens Telephone Co. operates 25,000 stations. They operate in Marietta and Sistersville, and I do not know the number of subscribers, but it is a comparatively large company but small in comparison with the kind of company you mean.

Mr. MADDEN. Any company that operates within the boundaries of a small community.

Prof. HOLCOMBE. I think the Postmaster General's supervision and control, or whatever kind of Government control it may be, should extend to such companies as that.

Mr. MADDEN. Why?

Prof. HOLCOMBE. As to what arrangements for their operation should be made, that is another question.

Mr. MADDEN. Why do you think the control should extend to those companies?

Prof. HOLCOMBE. The reason why I give that answer is I believe the control of the Government over these instrumentalities for the transmission of intelligence should be complete as a matter of law. Now, how it should be exercised, as a matter of actual operation, that is a question of organization, and, as you know, I stated I believed that was the principal question.

Mr. MADDEN. Give us an idea of what you think would be the proper organization that should be effected?

Prof. HOLCOMBE. Mr. Madden, that is a matter to which I confess I have given some thought. I had not expected it should be in order in this connection; at the same time I am perfectly willing, if the committee wishes, to discuss that matter.

Mr. MADDEN. I should think that would be an interesting phase of your testimony.

Prof. HOLCOMBE. There is another question of yours I prefer to answer first, which I have not yet answered, and I will endeavor to answer both. The other question related to why I believe that the control of the Government as a matter of law should be complete, why I believe in Government ownership as a general solution of the problem. I will take that up if that is the committee's desire and try to summarize briefly a few of what seem to me the principal reasons why the telephone and telegraph should be owned and controlled by the Government under the supervision of the Postmaster General. I thought it might be in order to put that in, inasmuch as other gentlemen had expressed reasons for the contrary opinion. I will try to do that very briefly, because I realize I am going over ground which is already as familiar to many, if not all, of you as it is to myself.

First, the termination of competition is, in my judgment, desirable, and that is the most effective way of bringing it about. That question of competition falls, in the first place, into two parts—competition with the telegraphs and the long-distance lines—secondly, competition in respect to the local exchange service. With respect to the telegraph, the very intelligent gentleman who spoke here this morning has covered the ground so admirably I will not trespass on your time to go into that. I refer to the gentleman who spoke out of his experience as a working telegraph operator.

Mr. MADDEN. Mr. Small.

Prof. HOLCOMBE. He has covered the ground so admirably I ought not to trespass upon your time to go over that ground again, but I think it is a fair statement that what he said with respect to the telegraphs will apply also to the long-distance telephone lines.

With respect to the local-exchange service, there are more than 1,000 cities and towns in the United States where there are two exchange systems. From the point of view of the business man that means two telephones where, in many cases, one would do as well. From the point of view of the residential subscriber that means inability to communicate with a portion of his neighbors and friends, because of the fact that they are subscribers to the other system, rather than to his own. Those two classes of subscribers suffer a materially impaired service; they get much less service and, in many cases, at a greater expense than would obviously be the case under a single local system.

Secondly, the elimination of duplication of plant and of personnel. Maintaining competition means maintaining, in many cases, two lines where one line would accommodate the existing traffic and, to that extent, is a wasteful and extravagant use of the public resources. The same is true of equipment. It is also true in so far as personnel is unnecessarily employed in being in two places or in

connection with two systems, whereas at one station the personnel could do equally as well, in connection with one system. The elimination of duplication of plant and personnel obviously would mean there a reduction of the cost of service or else an extension in the quantity of service; that is to say, an extension of service to individuals or to communities where service could not be extended if such wasteful duplication exists.

Thirdly, the advantages to be gained by the joint use of the postal quarters and personnel. Under that head, first, in many instances in towns and smaller cities it would be possible to install the telephone exchange and the terminals of the long-distance lines in quarters already owned or rented by the Post Office Department, without additional rental charges or overhead charges. Also, in many small towns and many towns and small cities, it would be possible for much of the clerical work now performed by the telephone employees to be performed by the postal employees not always now fully employed in performing their present necessary duties. To the extent to which that would be possible, there is a real saving in the cost of rendering the service.

Fourthly, the development of service at the post office. The public is accustomed to go to the post office. In many parts of the country they are almost social centers as well as centers for the distribution and collection of mail. To provide for the public to there have ready, convenient access to the telephone stations would obviously be a great convenience to the public and the increase of the value of the telephone system in the community. At the same time it would increase the value of the postal plant and equipment to the community.

Fifthly, the Government can borrow money at a lower rate than any corporation, no matter how good its credit. Just last year the Bell lines have borrowed a large sum of money at upwards of 6 per cent. The Government has borrowed at a considerably lower rate than that and while, no doubt, the Government has been able to borrow at the low rate for patriotic considerations, in part, there can be no question that it could have borrowed that money at a much lower rate than the Bell people. Now, that ability to borrow money at a lower rate has two important advantages. In the first place, it reduces the fixed charges. Where an industry is utilizing hundreds of millions of capital, even 1 per cent difference in the rate of interest is a very important factor, amounting up into the millions of dollars per annum. The second advantage, one not so obvious, but I think perhaps in the long run even more important, is that the rate of interest paid on borrowed capital has an important relation to the introduction of technical improvements. If you have a technical improvement which requires the scrapping of existing plant and replacing it with expensive equipment, whether or not it will be made, to-day, depends in part upon the rate of interest on borrowed capital. And it is a matter of theory, certainly, and I have no doubt as a matter of fact it would appear that in many cases important technical improvements would be advantageous or would be more promptly advantageous if the Government were borrowing money at the rates which it has to pay, rather than a corporation at the higher rate which it has to pay. So that that affects the charges directly; it affects the cost of service directly through the effect on fixed charges, and in the long run it affects indirectly the character of the service.

Sixthly, in order to secure adequate service from the private corporation, in the long run that corporation must make a fair return upon the investment. Now, if it is to be sure it is going to make a fair return upon the investment, in common practice, in many cases, it is going to have some surplus over and above the amount which it distributes as dividends. This surplus earning will, in a great business like the telephone, be reinvested in the business. If reinvested in the business, that may be capitalized under the laws of some States permitting the capitalization of surplus; and on that capitalized surplus earnings, the stockholders have a right to a reasonable return, because it is part of their share of the earnings. If the laws of the State do not permit the capitalization of surplus earnings, they still remain the property of the subscribers and in any arrangement the Government may enter into either for leasing the property or purchasing it, such surplus earnings would have to be paid for. So that in any event, in a private company, there is that element added to the cost of service. Now, in the case of Government surplus earnings, they may still be reinvested in the business; and if reinvested in the business, it is not necessary to pay dividends upon that reinvestment. It therefore becomes possible to extend the service to new classes of users or improve the service without increasing, by as much as would be the case with the corporation, the cost of that service. And in the long run the consistent following of such a policy in a business growing as rapidly as the telephone business, it should make possible substantial reductions in price.

Seventhly, and this is the last of these reasons, I want to bring to your attention that the people of the United States, in the Constitution have declared that the post offices and post roads should be a service rendered by the Government of the United States. Undoubtedly, when they committed themselves to that policy, they meant that to cover the transmission of intelligence in general. There were political as well as economic reasons for the adoption of that policy, and undoubtedly they all have their effect. Now, there can be no question that the telephones and telegraphs are a part of the equipment of the country for the transmission of intelligence. If those services are rendered by a private corporation, it is inevitable, and I think we will agree it is proper, that the private corporation should first consider profit and, secondly, should consider service. You have heard evidence offered within the last two days from the successful manager of a private telegraph company, in which he added that he considered it to his credit that he could distinguish the cream from the milk and could secure the cream. In the case of the Government, where services should come first and where profits should come so far as necessary apportioned justly in proportion to that service, it would not be necessary to reach out for the cream only; and the profit made by serving the public at those points where the service can be rendered cheapest in the large centers, could be used either to extend the service to communities where the traffic was not so remunerative, or advantage taken either to reduce the rates or improve the service to those places. And it seems to me there is a certain spirit in the Postal Service which one does not expect to find in a private corporation. Secondly, the object of the postal service is comprehensiveness, universality. So far as possible, the

Post Office aims to reach everybody; so far as practicable, the telephones and telegraphs should aim to reach everybody. Now, that is a counsel of perfection. It is not technically or financially possible to make the telephone and telegraph as universal to-day as the post office, but that goal should be in the minds of those who are charged with the responsibility for the development of the service and decisions of important questions of policy.

Mr. BLACK. You mean under private ownership it is not possible?

Prof. HOLCOMBE. Under private ownership it is not possible and it is not possible even under public ownership; that is, to make it universal, to put a telephone in every man's home and to do it at the price which he could pay and which would cover the cost of the service.

I have been setting forth the advantages which it is possible in my judgment to obtain under Government ownership. Now the extent to which those advantages will actually be obtained depends upon the form of organization and methods of administration adopted. I have said earlier in my remarks that I regarded that as the most important problem, and to the extent to which the best form of administration is adopted, these advantages should be obtained.

Mr. MADDEN. I think I understood you to say that the question of operation of the telegraph and telephone systems and the installation and regulation of rates—I do not assume to use your exact language, now—should be viewed from a broader standpoint than is possible under State control with the authorities are more likely to be affected by the opinions or desires of the people?

Prof. HOLCOMBE. Do not understand me as saying that the local influences should not have a voice in the determination of local questions.

Mr. MADDEN. Let me complete my question. I am simply trying to quote what I thought you said. Am I substantially correct in that?

Prof. HOLCOMBE. Yes.

Mr. MADDEN. Now I am going to ask the question: Don't you think it important that some consideration be given to the wishes of the people who pay the bills?

Prof. HOLCOMBE. Yes, sir; I will answer that right now.

Mr. MADDEN. Or do you think when a man is placed at the head of the Federal Government or one of its departments that he becomes sufficiently wise and efficient to act for the people without respect to what their wishes may be?

Prof. HOLCOMBE. I will say yes to the first part of your question.

Mr. MADDEN. What about the second part?

Prof. HOLCOMBE. As to the second part of your question, I think I will have to ask you to put that again; I am not sure that I got your point there.

Mr. MADDEN. I will repeat it. First, I say don't you think it important that some consideration be given to the wishes of the people who pay the bills. That is the first question, and you say yes to that?

Prof. HOLCOMBE. Yes, sir.

Mr. MADDEN. Or do you think when a man is placed at the head of the Federal Government or one of its departments that he becomes

sufficiently wise and efficient to act for the people without respect to what their wishes may be?

Prof. HOLCOMBE. No; I would say no to that. That is purely a hypothetical question, I take it.

Mr. MADDEN. I assume from the statement you made to the effect that we ought to disregard local wishes on account of the influence of the people on the boards selected by the States, and then suggested in its place that the Government control would be taking a broader view of the situation—in other words, a Nation-wide view instead of a State view—I assumed that you intended to convey the idea that the Federal authorities were either wiser or more just or more efficient, or all combined, than the people from whom this springs within the States?

Prof. HOLCOMBE. I think they might be better informed upon the general aspect of the question than the members of the public service commission of any one State. But I do not think they should disregard the superior knowledge of local conditions which such persons would possess. In other words, a system of operating local exchanges clearly should reflect local as well as general interests.

Mr. MADDEN. Do you think it is possible for the Government, 1,500 miles away, on the average, from the people to reflect the feelings of the people to the same extent that they would be reflected by the governments who are in constant daily touch with them?

Prof. HOLCOMBE. Not in all matters, nor would it be necessary.

Mr. MADDEN. I think the danger of centralizing all of our Government at one place has been proved beyond any question on more than one measure. Men come down here now from all sections of the United States and spend a week to do a thing which they could do at home in fifteen minutes.

Prof. HOLCOMBE. Now you have led up, Mr. Madden, to your second question which I said I would endeavor to answer after the first one, namely, assuming that the Government has the power to determine the question what shall be the form of organization of the telephone business, what form should be adopted? On this subject my opinions are somewhat tentative, you will understand; I had not prepared for a presentation to the committee at this time any complete formulation of a plan of operation. I should hope at another time, when it would be appropriate, that I have the opportunity to do so. But at this time I can say this: It seems to me the telegraph and the long-distance telephones should be operated by a centralized operating organization.

Mr. MADDEN. You mean a company?

Prof. HOLCOMBE. I will come to that in just a moment—by some centralized operating organization; but that the local-exchange service should be operated through a less-centralized organization than we now have for the postal service. Now, how would you reach that result? There are various ways of reaching it and without endeavoring to set forth any one as the best way at this time, I would offer this suggestion: Suppose you create a corporation, call it, say, the United States Telegraph & Telephone Administration (Inc.), to use an expression which is familiar to you. Now, suppose you provide that a majority of the directors of that corporation should be appointed for comparatively long and overlapping terms, by the Presi-

dent, subject to confirmation by the Senate, and provide, further, that the Postmaster General should be chairman of the board of directors. That would give you Government control. Suppose you provided further, that in acquiring these lines and systems which the Government should undertake to bring into its system, the Government should assume the obligations—give to the companies and their stockholders the option of converting their holdings at a fair value either into Government bonds or into stock of this same United States corporation, on which a minimum rate of return would be guaranteed, but a less rate than that paid on the bonds. And suppose you provided further that these minority stockholders, for in effect they would be minority stockholders, should share in the profits over and above that guaranteed minimum, perhaps up to a certain point, and that they should be entitled to choose a minority of the board of directors.

You would then get a system in which the Government would have control, but in which you would be under the necessity of respecting the private property in that system and hence you would be more certain to have an administration independent of such political influences as you may have in mind as being most menacing to economy and efficiency in the conduct of such a business.

Now, suppose that corporation were authorized, further, to create, if necessary, subcorporations.

Mr. MADDEN. Subsidiary corporations?

Prof. HOLCOMBE. Subsidiary corporations. In the case of the Bell system, you have the Western Electric, which is the third largest electric manufacturing concern in this country, doing a very large business. It might well appear that it was desirable to separately incorporate that company and conduct its affairs separately, as is actually done by the Bell system. It might even occur, and on this I express my views with great hesitation because I have not come to a definite opinion—it might occur it would be wise to operate the local-exchange systems; not the toll lines, but the local-exchange systems, as the Bell companies do to-day, through a number of subsidiaries, or, in this case, they would be regional corporations controlled by the parent corporation. Whether that were done or not, it would be well, in my judgment, to organize in the different regions advisory councils, as is done in those foreign countries where the Government operation has been most successful—advisory councils on which the telephone users are represented. In this country we have the advisory councils in the form of State public service commissions, and undoubtedly all or some of those men in a given region should ex officio serve on such councils; also, possibly representatives of commerce and agriculture should be chosen independently for such councils.

Mr. MADDEN. What about labor?

Prof. HOLCOMBE (continuing). And certain matters should be submitted to such bodies for an opinion before final decision.

Mr. MADDEN. Would you give to those councils, these regional boards, the power to fix rates and wages?

Prof. HOLCOMBE. Not the power to fix, but I should provide that rates should not be fixed—

Mr. MADDEN. Without their recommendation?

Prof. HOLCOMBE. Without their advice and opinion.

Mr. MADDEN. And that would include the regulation of the wages?

Prof. HOLCOMBE. I am not certain that wages ought to be fixed by such a board, but rather by a board on which wage earners themselves would have a representative.

Mr. MADDEN. Would you recommend the appointment of a wage earner on one of those regional boards?

Prof. HOLCOMBE. That would certainly be desirable. That is only tentative, you understand.

Mr. MADDEN. That is not a bad outline of organization, but it is not Government ownership, is it?

Prof. HOLCOMBE. It gives the Government complete and final control, which, as I said, I believe to be important from the Government's standpoint, and, at the same time, it is the form of organization calculated, I think, to preserve those advantages of private management which we all recognize are real and important.

Mr. MADDEN. It would be much more effective and efficient than any organization that could be conducted under the direct control and management of the Federal Government.

Mr. STEENERSON. You spoke about the Constitution giving the Federal Government authority over the transmission of intelligence?

Prof. HOLCOMBE. Yes, sir.

Mr. STEENERSON. You referred to the clause which says Congress shall have authority to establish post offices and post roads?

Prof. HOLCOMBE. Yes, sir.

Mr. STEENERSON. It has been suggested here by questions from members of the committee and other witnesses that that is a Government function—a monopoly?

Prof. HOLCOMBE. Yes, sir.

Mr. STEENERSON. You agree with that?

Prof. HOLCOMBE. Function is what I agree to.

Mr. STEENERSON. It has been suggested here that they have exclusive authority in that field?

Prof. HOLCOMBE. Why, I think their authority should be supreme in that field. Whether it should be actually exercised in certain individual cases—take the farmer's lines, so common in your part of the country—or not, I am not prepared to say.

Mr. STEENERSON. I am talking now about the principle.

Prof. HOLCOMBE. Yes; I agree to the principle.

Mr. STEENERSON. The Federal Government, for instance, exercises now a monopoly in the transportation and delivery of first-class mail?

Prof. HOLCOMBE. Yes.

Mr. STEENERSON. But not in the delivery of other mail, packages, and such things. In that they compete with others, as you know; that is correct, isn't it?

Prof. HOLCOMBE. I am not familiar with all the laws on that subject; but I assume so if you say so, Mr. Steenerson.

Mr. STEENERSON. You are familiar with the fact that there are other means of carrying on this business of express packages and such things?

Prof. HOLCOMBE. Oh, yes.

Mr. STEENERSON. But private companies can not carry first-class mail, because there is a monopoly in the Government?

Prof. HOLCOMBE. Yes.

Mr. STEENERSON. Now that part of the transportation of mail in which the Government has a monopoly is ordinarily sealed packages, isn't it?

Prof. HOLCOMBE. Yes.

Mr. STEENERSON. So that it is not open to the inspection of the Government agents that handle it?

Prof. HOLCOMBE. I suppose it can be opened by them in case of national necessity, as, of course, has been the case during the war.

Mr. STEENERSON. That is a war power; that is censorship in time of war?

Prof. HOLCOMBE. Yes.

Mr. STEENERSON. But ordinarily it can not be opened without a writ of the court?

Prof. HOLCOMBE. Yes, sir.

Mr. STEENERSON. And it is supposed to be secret, so that no government agent knows what is in the first-class letter? You are aware of that fact?

Prof. HOLCOMBE. Yes, sir.

Mr. STEENERSON. Now can you see any distinction between that kind of a transportation monopoly and one wherein the contents of all communications necessarily are known to the agents of the Government that transport and handle them, like the telegram or the telephone message?

Prof. HOLCOMBE. I see, of course, that difference, Mr. Steenerson; but I question whether that is of importance in this connection.

Mr. STEENERSON. You do not consider it of any importance?

Prof. HOLCOMBE. Not of great importance in this connection; no.

Mr. STEENERSON. You do not think that it would make any difference in the carrying on of the free government by the people, under a party form of government such as we have, to have the government agents know all the communications that passed between people by these means, just the same as if they had the right to open all the letters? Don't you think that might make a good deal of difference in the exercise of the right of franchise?

Prof. HOLCOMBE. Government agents often have to be intrusted with information which they ought not to divulge. For instance, a year ago I went into the Internal Revenue Bureau to assist Mr. Roper and I took an oath not to divulge the contents of any income or excess profits tax return which I might see; so that if I knew, for example, what Mr. McAdoo's income was I would not feel free to reveal it to any one else. And that is a condition that exists to-day, and I do not think it would be altered by the Government taking control of the telegraphs and telephones.

Mr. STEENERSON. That is one of the things that is supposed to be protected, and are you not aware that secrecy has been violated; have you ever known of instances where it has?

Prof. HOLCOMBE. Not of my personal knowledge.

Mr. STEENERSON. Do you not know that here, during this hearing, questions in regard to the tax returns have been put to witnesses?

Prof. HOLCOMBE. I am not sure that I recall the matter to which you refer.

Mr. STEENERSON. Well, it might not have been income tax returns and that subject, but if the government official knows the contents of all these numerous messages, don't you think it would make it more embarrassing for a man to vote the way he liked than if he did not know it?

Prof. HOLCOMBE. I should not really think it would make much difference to me if I had to trust a given employee of the telegraph system with the message which I wanted to keep secret whether he were working for the Government or a private corporation.

Mr. STEENERSON. Isn't it true that telegraph and telephone companies regard it as part of their stock in trade, as part of their capital, to keep all of those communications secret and that they universally do keep them secret except when they are summoned into court?

Prof. HOLCOMBE. It is just suggested to me, and quite properly, I think, that the individual who wishes to keep a telegram secret can send it by code. And every telephone message, unquestionably, sent during the busy time of the day, is for all practical purposes secret; the operator is much too busy to listen in on the message.

Mr. STEENERSON. Couldn't you imagine a case where, for instance, a man running for Congress had announced he would speak at a certain place and that he was unable to fill that engagement and wanted to announce by telephone he had fixed another date, and that some Government officer, controlling the telephone, if he should desire to delay that message he could thereby disappoint all the people coming to that meeting, or to hear any other candidate, and thereby cause a great deal of dissatisfaction and disappointment to those interested and prevent the people from getting the benefit of the meeting? We are supposed to be a Government founded on the principle that you should have public discussion, and now don't you see that if the Government officer that controlled these telephone and telegraph messages was a partisan, happened to be a partisan, that he might use that knowledge to the disadvantage of one or the other of the parties?

The CHAIRMAN. That is, to prevent the Congressman being heard?

Mr. STEENERSON. Oh, no; I am not saying to prevent the Congressman being heard; he might be a candidate for governor or a candidate for President, or anybody.

The CHAIRMAN. I was just going to suggest it would be a good thing sometimes if that could be done.

Mr. STEENERSON. Of course, if the chairman wants to interfere with my question, that is another thing. I am asking on a very serious matter for information from this source from which all information seems to abound. Don't you think that the fact that Government officials, postmasters and post-office employees, will necessarily know the contents of every telegraph and telephone message they handle, it will make it more embarrassing for people to communicate with each other than if the communication passes through the agencies that now exist?

Prof. HOLCOMBE. Why, frankly, Mr. Steenerson, I should not think so.

Mr. STEENERSON. You have not considered that at all, then, in your study of this matter?

Prof. HOLCOMBE. The question of secrecy?

Mr. STEENERSON. Yes.

Prof. HOLCOMBE. Oh, yes; that is a question that has been very commonly raised, of course, in connection with the operations of telephone companies.

Mr. STEENERSON. Wouldn't it place the communication through these means of telegraph and telephone exactly on the same basis as communication by mail in time of war, when the Government can censor everything you send, even to the point of denying you the right to send? Wouldn't we labor under that disadvantage all the time, so far as Congressmen are concerned?

Prof. HOLCOMBE. I do not really believe the situation would be changed for the worse, Mr. Steenerson.

Mr. STEENERSON. In regard to this matter Mr. Madden asked about, you spoke about the national instead of local point of view. Now, how will that help a man to reconcile his fate when, for instance, like myself, I have been communicating a distance of 280 miles for 80 cents and under the proposed rule of the present Government rate I have to pay \$2.25? Can I reconcile myself, do you think, by knowing I am taking a national instead of local point of view, to paying 300 per cent more than I did before?

Prof. HOLCOMBE. I could not expect you to do so, Mr. Steenerson, if you based your opinion upon that particular case.

Mr. STEENERSON. The same proportion runs through all these rates as explained by the Minnesota officials. You think that a man will be willing to pay a higher rate because it takes a national view?

Prof. HOLCOMBE. If he is also convinced that there is good reason for it; yes.

Mr. STEENERSON. I do not see what other reason he can have than he wants to communicate 280 or 300 miles and would like to do it at as low a rate as is consistent with good service.

Prof. HOLCOMBE. Why, if we made clear to him, Mr. Steenerson, that in order to operate the system efficiently, to maintain a satisfactory standard of service and make the system as comprehensive as is necessary and proper, that such a level of charges was required, I think most good citizens would pay the bill gladly.

Mr. STEENERSON. Well, they are more patriotic than I am.

Mr. WOODYARD. Have you ever taken any part in practical politics, Mr. Holcombe?

Prof. HOLCOMBE. Yes; I have run for office.

Mr. WOODYARD. Don't you know, then, as a matter of fact that theoretically the country has the idea that the employees of the Government, State and municipal—well, even under civil service—that they take no part in politics; but that, as a matter of fact, they are the real foundation of party organizations throughout the country and are, at least to a certain extent, used for that purpose?

Prof. HOLCOMBE. I could not agree to that as applied to all the Government employees.

Mr. WOODYARD. Take postmasters, for instance—now they are under civil service?

Prof. HOLCOMBE. In so far as they have been brought under civil service, I suppose they are to-day less disposed to participate actively in partisan politics than was formerly the case.

Mr. WOODYARD. I am for partisan politics; I do not believe in the civil service, not a bit; I am an old Jackson Democrat when it comes to that.

Prof. HOLCOMBE. I believe in partisan politics along certain lines, but not in administrative matters.

Mr. WOODYARD. And you think that the placing of the employees of the telephone lines would not be affected in any way by their being employees of the Government—that is, the people would get just the same service, and it would not interfere in any way with the successful management?

Prof. HOLCOMBE. I think the people would get, in the long run, better service. The reasons for that I have already set forth.

Mr. WOODYARD. I have listened with a very great deal of interest to your ideas about Government ownership here of these telegraph and telephone lines, and I do not know whether the question is pertinent or not, but I would like to have your opinion: Do you entertain the same views as to railroads, express companies, and other public utilities?

Prof. HOLCOMBE. I think the railroad problem might well be attacked somewhat along those lines I was suggesting for the telephone industry. Of course, each industry had its own problems, and in the application of those ideas if they should prove on a careful study of the facts to be sound, doubtless some variations would have to be made. But I believe in a general way that is the right line of attack.

Mr. WOODYARD. In other words, you are a pretty strong advocate of Government ownership?

Prof. HOLCOMBE. Provided Government control thereby obtained is used to create the right method of organization.

Mr. PAIGE. Were you a member of the Massachusetts Minimum Wage Commission?

Prof. HOLCOMBE. Yes, sir; I was.

Mr. PAIGE. Did they follow your theories, or otherwise?

Prof. HOLCOMBE. On that commission there was one representative of the employers, one representative of the employees, and myself, and the commission generally agreed with me; that is to say, one or the other of them did.

Mr. PAIGE. You were evidently right then and wrong now, probably. But now I want to ask you this question: Would you be in favor of eliminating competition in every line of industry, as you said you were in favor of doing in the telephone?

Prof. HOLCOMBE. No, sir; no, indeed.

Mr. PAIGE. Why shouldn't we extend that to every branch of industry to get this economy, this better service feature, as you propose in this utility?

Prof. HOLCOMBE. Because in the general run of industry the conditions under which competition is carried on are suitable to secure for the public the advantages which competition brings and which are genuine and undeniable. It is only where those conditions do not exist.

Mr. PAIGE. Would your plan of taking over public corporations tend to check private enterprise and industry under which this country has become the most prosperous on the face of the globe?

Prof. HOLCOMBE. No; the field for enterprise is boundless and very little affected by these proposed changes.

Mr. RAMSEYER. You understand, this committee has before it H. J. 368, which has been prepared by somebody down in the Post Office Department?

Prof. HOLCOMBE. Yes, sir. I had no connection with that.

Mr. RAMSEYER. And that the wires were taken over by the Post Office Department under a resolution passed by Congress July 16, 1918, and will remain under the control of the Government under that resolution until the treaty of peace is ratified?

Prof. HOLCOMBE. Yes.

Mr. RAMSEYER. Now, this resolution asks for a continuance of such control. Are you in a position to state the reasons of the department for this continued control?

Prof. HOLCOMBE. No, sir. No; I can not speak for the department at all.

The CHAIRMAN. Not speaking for the department, but with your knowledge of the conditions, of the existing facts and control by the Government, I wish you would state to the committee whether or not it is advisable to continue Government control of the telegraphs and telephones, and for how long, if you think it is advisable, and give your reasons for it.

Prof. HOLCOMBE. I believe the control—and herein I differ, I think, from the Post Office Department—I believe that the control of the Government should be continued indefinitely. And my reasons for it are I believe that under Government control the best form of organization can and ultimately will be adopted.

Mr. BLACK. I just wanted to ask a few questions, Prof. Holcombe. How much of the total receipts of the telephone companies did you say was on the end of the tolls?

Prof. HOLCOMBE. I think I said 5 per cent.

Mr. BLACK. Then the other 95 per cent of the total telephone receipts of the United States is exchange charges?

Prof. HOLCOMBE. Yes, sir; mainly so; yes, sir.

Mr. BLACK. What per cent of that 5 per cent is intrastate toll business?

Prof. HOLCOMBE. I can not say. The exact figures are not compiled upon that basis.

Mr. BLACK. I guess it would be safe to say at least half of your 5 per cent was purely intrastate business, don't you think?

Prof. HOLCOMBE. I do not know whether it would or not.

Mr. BLACK. Do you not think that before this attempt is made to centralize a great industry of this kind, one in which 95 per cent of the total receipts is purely of a local character and at least a considerable portion of the other 5 per cent is purely intrastate—do you not think that before Congress should attempt to bring about a centralization such as you have mentioned that the issues should be submitted to the people as an issue?

Prof. HOLCOMBE. To the people of the States?

Mr. BLACK. Yes; and that they have a right to express their opinion as to whether this Federal control should be continued?

Prof. HOLCOMBE. Yes; I agree to that. I do not think this question ought to be permanently settled until the people of the country have had an opportunity to consider it.

Mr. BLACK. Do you think it is fair to them that, having taken these properties by reason, to say the least of it, of the belief of a

war necessity, that we ought, without giving the people any opportunity to pass upon the particular matter, to go ahead and extend the period of control indefinitely?

Prof. HOLCOMBE. No; I do not. While I said I hoped Government control would be indefinite, I do not say I think you ought to make it indefinite to-day. I think if I were in the places of you gentlemen I should feel my duty to be to extend the control for such a time as may be necessary, in order that the will of the people on the question may be properly ascertained, but without any prejudice to the disposal of the lines after the will of the people shall have been ascertained.

Mr. BLACK. Then, assuming that you have that view—and I think it is a correct one—that we ought not to take those steps, do you not think it unfair to the people to begin to put into effect those ideas and to accomplish those results which may or may not be beneficial before the people have had any opportunity to pass upon the question?

Prof. HOLCOMBE. That is a hard question. Certainly it would seem as if the phone systems ought to be administered in such a way as not to prejudice the final result. If the Post Office Department does nothing more than to take advantage of its control to improve the service, why, then the final result is prejudiced, because the Government has not done what it might have done. On the other hand, if the Government does make these changes and makes every possible change that will give a better service or a more widely spread service, why then something has been done toward the final result. It won't be possible, as Mr. Reynolds pointed out the other day, to undo some of the things that should be done if the Government is giving the people the best service possible under these conditions. Now, there is a dilemma.

Mr. BLACK. The people might conclude that they preferred competitive service, for instance, between the Western Union and the Postal Telegraph systems; and certainly if that is their verdict, they have a right to see that that situation is carried out.

Prof. HOLCOMBE. Undoubtedly.

Mr. BLACK. Now, if the Government goes ahead and by the methods it has in mind, abolishes all of these offices and centralizes them, you will in effect destroy the organization of one of the competitive systems?

Prof. HOLCOMBE. Mr. Congressman, I have pointed out the dilemma there; at the same time, I am ready to make by choice between the two horns.

Mr. BLACK. You are, I am sure, but the question is whether the people are?

Prof. HOLCOMBE. If your question is addressed to me and you ask what I thought should be done, I think so long as public officials are responsible for the conduct of the telegraph and telephone business, they should give the best service it is possible to give. If that involves the doing of things that can not be easily undone, it is possible that may turn out unfortunately, but, nevertheless, that risk should be taken, in my opinion. Furthermore, Mr. Black, I am not certain that giving the people of this country a fair test of competition means restoring the status quo before the war. I do not

believe the competition was actually being fairly tested, either in the telegraph business or the telephone business. In the telegraph business one of the competitors served only a portion of the public, and there could be no fair test. I am using the word "fair" not in the sense of legal or moral, but I mean thorough. There could be no thorough test of competition, unless both companies served the same public, just as when two grocery stores compete on opposite corners, every purchaser of groceries has a choice between two stores. But now not every purchaser of telephone service has a choice between two competitive systems, and unless he has you have not a thorough test of competition.

Mr. BLACK. That analogy might or might not apply. For instance, a man who lives out in the country village has only one country store; he may patronize that, or if he wants to go 20 or 30 miles to the county seat, he can have a dozen. And frequently, in the case of the Western Union, he may have it right at his door, and by going a certain distance he can have competitive service. On the question of competition, I understand you to say probably there are some 1,000 offices in the United States, or exchanges, where they have a double service?

Prof. HOLCOMBE. A thousand towns or cities.

Mr. BLACK. Yes. Now, I wish to state an experience, and then to ask a question. I have lived in two towns where they installed the independent telephone system in competition to the Bell system. At the time of the installation the Bell system used those old ring phones that you had to get up and ring. The independent company put up the flashlight system. My experience was that in a short while the Bell telephone followed that example and put in the flashlight system, thereby giving to all their patrons a much better service. Now, ultimately, in both of those towns, by orderly processes, a unification has been effected, and as a result of competition the people have a much better service than they formerly did. Do you not think that in that way, at least, this competition has been very beneficial to the public?

Prof. HOLCOMBE. Yes; during the early years of the development of the industry competition undoubtedly stimulated a more rapid establishment of exchange systems and a more rapid improvement of those systems. But once heavy investments of capital had been made, competition ceased to have that particular effect, and at the present time I question whether it exists.

Mr. BLACK. Isn't it also your observation that the Government is slower in putting in these improved appliances than are competitive businesses?

Prof. HOLCOMBE. Than competitive businesses; yes. And if your hypothesis were true, that we could get very genuine competition in the telephone business, without even greater evils of other sorts, why, of course, there would be little argument for Government ownership. But because those conditions no longer exist, that conclusion was reached.

Mr. BLACK. Isn't it true that the Bell system does maintain a very extensive laboratory of research?

Prof. HOLCOMBE. Yes, sir.

Mr. BLACK. In which they constantly study out ways and means of improving the telephone service, of cheapening the service?

Prof. HOLCOMBE. That is correct.

Mr. BLACK. And giving a better character of service to their patrons?

Prof. HOLCOMBE. If the Government should organize the telephone industry, I believe a wise provision in the charter would be that a certain percentage of the revenues should be devoted to such purposes and should not be touched for other purposes.

Mr. BLACK. Isn't it a fact that the Bell system, by reason of that system of laboratory research, that they have carried on for years, have rendered a very great service to the country in the development of the telephone industry?

Prof. HOLCOMBE. Yes; there is no question about that.

Mr. BLACK. Now, do you think that that would have happened if 30 years ago, we will say, the Government had taken over the ownership of the telephone lines of the country?

Prof. HOLCOMBE. I really can not say how different things would have been if they had been different in that respect. But let me say this, which I would prefer to say, that I think in the future the undeniable advantages of the maintenance of such research laboratories can be secured and should be secured, whether the phones remain with the private companies or with the Government.

Mr. BLACK. Theoretically; but is there any better way to judge the future other than by the past?

Prof. HOLCOMBE. No; no better way, except in so far as conditions are different, one ought to take into consideration those changes in conditions.

Mr. BLACK. Now, I believe you stated you had studied the European telephone system?

Prof. HOLCOMBE. Yes.

Mr. BLACK. Is the telephone system of England a Government-owned telephone system?

Prof. HOLCOMBE. Yes.

Mr. BLACK. From your examination of their telephone service, what is your judgment of the efficiency and general utility of that service as compared to that of the United States?

Prof. HOLCOMBE. At the time I was in England the exchange systems were not under the supervision of the post office. At that time the Government operated the telegraphs and the long-distance telephones and the local exchange service was in the hands of the line company. In other words, the kind of an arrangement that Mr. Small suggested this morning. It worked very badly and there is no doubt that the exchange service in England, supplied by that private company, was much inferior to the service supplied in the United States.

Mr. BLACK. How about the long-distance service? Did you find their Government owned and operated long-distance service better than the service in the United States?

Prof. HOLCOMBE. I think that the telegraph service was better and the long-distance telephone service was worse.

Mr. BLACK. How was it in France; what system did they have in France?

Prof. HOLCOMBE. In France they started originally with the same arrangement, of a company operating the local systems and the Government operating the toll lines and telegraphs. And there, also, that arrangement worked badly. At the time I was there the exchange systems were also in the hands of the Government and, in my judgment, the business was mismanaged.

Mr. BLACK. Was it superior or inferior, in your judgment, to this telephone service which the people were receiving under private ownership?

Prof. HOLCOMBE. Oh, I think it was somewhat better, but it was not good service.

Mr. BLACK. I am not saying in France, but how did their service under Government ownership compare with the service we have experienced in this country?

Prof. HOLCOMBE. It is hard to make that comparison, Mr. Black, because the conditions in this country vary very greatly—I mean the operating conditions and everything else. The French service was much inferior to our best service; it was better than our worst service.

The CHAIRMAN. Professor, you have had if not a complete at least a partially competitive system in the telegraph in the United States, have you not?

Prof. HOLCOMBE. Yes, sir.

The CHAIRMAN. And in the telephone also?

Prof. HOLCOMBE. Yes, sir.

The CHAIRMAN. The people have had the opportunity for a number of years to observe the benefits of that system. Now, is it in your judgment a wise thing to give the people an opportunity, in times of peace instead of in war, to observe the operation of the telegraph and telephone under Government control, for a limited time, that the issue may be before them and the facts on both sides?

Prof. HOLCOMBE. I do not think advantage should be taken of the present situation of unduly prolonging the period of Government control. I do think that period should be so long as necessary to give the people a chance to express their opinion.

The CHAIRMAN. How much longer do you think the Government ought to control after peace is declared, in order that there might be a full demonstration of the capacity of the Government to run these utilities in comparison with the way they were run under competitive conditions?

Prof. HOLCOMBE. Assuming peace is declared next summer, I should say two years.

The CHAIRMAN. Is there any other reason why, aside from that general public interest, that the Government control should be extended?

Prof. HOLCOMBE. May I modify that and say at least two years. I am not sure that much more time would be necessary.

The CHAIRMAN. You think that would be necessary for the public to fully understand both sides of the question?

Prof. HOLCOMBE. I think so.

The CHAIRMAN. Do you know how the immediate and abrupt turning over of those properties upon the uncertainty of when peace will be declared will affect the companies themselves?

Prof. HOLCOMBE. That of course depends upon what is done between now and that time. I do not believe I could answer that question.

The CHAIRMAN. If the companies had no notice of when the properties would come back, would it be an advantage or a disadvantage to turn them over abruptly or at a fixed time?

Prof. HOLCOMBE. I think there is great advantage in introducing as much certainty into the future as possible and in fixing the limits to the period that the present provisional and uncertain conditions are to continue.

The CHAIRMAN. Then, I understand you to say that it is both to the public interest and to the interest of the companies that some time at least be fixed in which they will be turned back to the owners and that that is essential not merely to the interests of the telephone and telegraph people but to the public, in determining ultimately what policy ought to be pursued in reference to those utilities?

Prof. HOLCOMBE. Yes; I think that is correct.

Mr. STEENERSON. Is that on the assumption, Mr. Holcombe, that the form of organization suggested by you would be put into effect during this two-year period?

Prof. HOLCOMBE. No; I do not suppose it is practicable to adopt a permanent form of organization during this provisional period. I wish it were, but it does not seem to me it is.

Mr. STEENERSON. So that it would be direct Government ownership without this intervening organization you spoke of?

Prof. HOLCOMBE. I think it would have to be.

Mr. RAMSEYER. In order to get something definite for Congress before it adjourns, what do you think of passing a resolution repealing the joint resolution of July 16, and saying "on April 1." That would fix a definite time and the properties then would go back to those various companies with the least possible changes in organization; while if you keep them for two years after the treaty of peace is ratified, you have got to make changes. And then if the people decided to turn them back they would be in a very much changed condition than they were when taken over the 1st of August, last.

Prof. HOLCOMBE. One can not ignore the fact that changes have already been made and my personal view simply is that I do not believe it would be wise to throw them back so soon as that.

Mr. RAMSEYER. Suppose the people decided to throw them back, as you stated, in at least two years after the treaty of peace is ratified; don't you think we had better throw them back the 1st of April than to throw them back in two or three years, if we are going to throw them back at all?

Prof. HOLCOMBE. If you were sure you were going to throw them back.

Mr. RAMSEYER. I am asking that.

Prof. HOLCOMBE. I should say, yes; the sooner the Government turned them back, the better. But, of course, one can not make that assumption.

Mr. RAMSEYER. It seems to me I might make this statement, that the issue is rapidly coming down to this, it is going to divide the committee and the House, too, when this resolution comes up, between the fellows who favor Government ownership and the fellows

who are opposed to Government ownership. The fellows who favor the proposition of two or three years retention can only justify that on the ground this is going to force Government ownership. That is why I ask that question, if we are going to throw them back, don't you think we had better throw them back right away rather than to hang on to them too long?

Prof. HOLCOMBE. If you know you are going to turn them back, I think you ought to turn them back as promptly as the war emergency will permit.

Mr. RAMSEYER. You have spoken of the French organization and the British organization and then this form you spoke of, and you stated the Swiss and the German organizations were probably the best you have studied in Europe. Could you briefly tell the committee what form of organization they have in both those countries, the Swiss and the Germans? I do not want to take up too much time.

Prof. HOLCOMBE. It is tied up with the question of railroad organization.

Mr. RAMSEYER. In both countries?

Prof. HOLCOMBE. In both countries; that is, the telephone organization in Germany is uniformly based upon the same principles as the railroad organization, although conducted by a different—or was before the war—government entirely. And it would be very difficult to throw much light on that question without going rather deeply into it.

Mr. PAIGE. Where do you understand the demand for this legislation comes from—the public, the telephone companies, or the Post Office Department?

Prof. HOLCOMBE. I am not competent to testify on that, Mr. Paige.

Mr. PAIGE. You have stated you thought the Post Office Department would give a better service. Now, the testimony has been that all the improvement of service there has been up to date, since the Government took hold of it, was an increase of rates all over the country, which the people have been protesting. Now, can you conceive of any idea why the Post Office Department, with all the problems they have to solve, should take up this question at this time?

Prof. HOLCOMBE. Not unless they thereby rendered the country real service.

Mr. PAIGE. They undertook two years ago to render a better rural mail service by turning the rural mail system all over; so much so that Members of this Congress came into this room and protested against the changes being made in the rural service.

Mr. HOLLAND. Assuming Government control should be extended for a period of two years, what changes in operation or consolidation or other changes should be made, in order to render the public real service?

Prof. HOLCOMBE. Mr. Holland, I would like to be excused from answering that question, for this reason: That question probably will come before the committee of which I am a member, involving actions on questions of rates, and undoubtedly we will be supplied with much information which I, at any rate, do not now possess, and I would not wish to appear to have formed an opinion upon such questions which I could not later, in the face of further information, feel free to change. I do not think I ought to discuss a matter which may be pending before me later for action in a responsible capacity.

Mr. HOLLAND. On the other hand, don't you think it is true that Members of Congress ought to be given, in the consideration of a question of this character, information which might advise them as to whether or not at the expiration of the period Government ownership would be absolutely essential to protect all interests?

Prof. HOLCOMBE. The committee and Congress ought to have all possible information. Of course, my personal information extends only to the question of rates; and in so far as action is or may be pending on such questions, I would like to be excused at this time. On the other questions, those who are competent to testify I suppose would gladly give the committee all the information in their possession.

Mr. HOLLAND. Would you be willing to answer this question: You occupy an executive position, do you not?

Prof. HOLCOMBE. No; not an executive position.

Mr. HOLLAND. Administrative?

Prof. HOLCOMBE. I suppose one would call it advisory.

Mr. HOLLAND. You occupy an advisory capacity?

Prof. HOLCOMBE. I advise the Postmaster General in respect to changes in rates.

Mr. HOLLAND. Then, what changes would you suggest in order to give the best service to the people?

Prof. HOLCOMBE. In rates?

Mr. HOLLAND. In rates and in service.

Prof. HOLCOMBE. As to rates, I renew my request not to be asked to express any opinion.

Mr. HOLLAND. As to service?

Prof. HOLCOMBE. As to service, I really do not think I am competent to express any opinion. I have not studied the question of service, if you mean thereby matters of technical equipment, with as much care as other gentlemen, and I should hesitate to express any opinion.

The CHAIRMAN. Let me ask this question in that connection—

Prof. HOLCOMBE. Let me give the gentleman an illustration, because I want to convince you all I am giving the best information I can. Take the question of introducing the automatic switchboard. There is an important proposition: First, is the automatic switchboard, under all circumstances or under any circumstances, and, if so, under what circumstances, superior to the manual switchboard and the semiautomatic switchboard. Secondly, what changes in the rate structure should be made if automatic switchboards are to be introduced; if it would probably bring about immediate changes in the rate structure. Now I have not the technical engineering knowledge to have an opinion on that subject at this time, although I should hope to have much more information on it before I passed finally on the rate questions.

Mr. HOLLAND. I am asking you these questions simply for this purpose: I am inclined to be opposed to Government ownership. And I am asking you these questions so that I may know, if possible, whether or not at the expiration of this period of this extension you would so disrupt the organization, so consolidate these companies, make so many different changes, that it will be absolutely im-

possible, without either serious loss to the Government or serious loss to the companies, to restore them to private ownership.

Prof. HOLCOMBE. I have no hesitation in answering that. The Government has unscrambled several large aggregations of capital and I have no doubt it could unscramble this aggregation if the people so desired.

Mr. HOLLAND. But isn't it true that the longer you extend the control the more difficult it will be to unscramble the difficulties?

Prof. HOLCOMBE. Not necessarily. All the difficulties might result from things done within the first 6 months or the first 12 months.

The CHAIRMAN. Do you believe, or not, that the Government, under its present control if continued, could work out a plant within 12 months or 2 years that would be better for the administration of this service and with cheaper rates to the people?

Prof. HOLCOMBE. I have no question that the service would be improved by changes that are possible. As to what the effect would be on rates, again I ask to be excused from answering.

The CHAIRMAN. You are attempting now, that is what your purpose is down there now, to fix a rate, isn't it?

Prof. HOLCOMBE. Yes.

The CHAIRMAN. And as low a rate as you can to the public?

Prof. HOLCOMBE. Yes; so far as possible.

The CHAIRMAN. And that is the thing you think ought to be worked out before the final question of Government ownership is settled; and in order to do it the Government ought to continue in control until that can be done?

Prof. HOLCOMBE. I believe the people are entitled to know under what kind of an organization they can expect the telephones to be administered, if they are to remain in the possession of the Government, and undoubtedly that would require some time.

Mr. HOLLAND. How can you give the people the best service in order to reach a conclusion as to that without making the changes that would be necessary in order to do that?

Prof. HOLCOMBE. I do not believe you can.

Mr. HOLLAND. Then, if you make the necessary changes, doesn't it absolutely follow you make it more difficult to restore to private ownership?

Prof. HOLCOMBE. If the changes tend to have that effect.

Mr. STERLING. You are taking a position here on Government control, as I understand it, of the transmission of intelligence as distinguished from Government control of other public utilities?

Prof. HOLCOMBE. Yes.

Mr. STERLING. You start with the prime purpose that the Government had control of the transmission of intelligence in the establishment of the post offices and post roads?

Prof. HOLCOMBE. Yes.

Mr. STERLING. And that new methods of intelligence, not so thoroughly understood or known then, and more developed now, are still intelligence?

Prof. HOLCOMBE. Yes, indeed.

Mr. STERLING. And therefore a branch of Government control?

Prof. HOLCOMBE. Yes.

Mr. STERLING. Now, I want to get your idea, if I can, in the broad sense that you have discussed it, because I understand you are posi-

tive on this theory of Government control of the transmission of intelligence. Is that right?

Prof. HOLCOMBE. You mean I am positive in my conviction?

Mr. STERLING. Yes; that that is the proper thing to do?

Prof. HOLCOMBE. Yes.

Mr. STERLING. In other words, that as a Government function you will be willing to aver that there is not any Government department or agency in the administration of that department, as to many of the citizens of the country, that gives the same character of service to all of them alike; but it does do the greatest good to the greatest number—that is what it tries to do. Now, is it your judgment that Government control of telephone and telegraph lines, in this transmission of intelligence, would in the long run give the greatest good to the greatest number of American people?

Prof. HOLCOMBE. Yes, sir.

Mr. STERLING. Did you make that statement after making a study of economics?

Prof. HOLCOMBE. Well, it is based upon the best information I have.

Mr. STERLING. That is what I mean. And you have not changed your opinion since you have been a year and a half in Government work here?

Prof. HOLCOMBE. In Washington; no.

Mr. STERLING. Now, I am not giving you my opinion about this; I want to get yours. On the question of the secrecy of communications that has been raised here, do you think that is largely a question of morals that neither the Government can make laws to prevent, or private corporations regulate against, that is, the employees divulging what goes across the lines?

Prof. HOLCOMBE. It unquestionably is.

Mr. STERLING. Do you conceive of any way that could be legislated against?

Prof. HOLCOMBE. I see what you mean, Mr. Congressman. I know of no way except by placing the employees under oath not to reveal the contents of communications which have passed through his possession, and providing a penalty for a violation of that oath. Beyond that, you leave it to the man's conscience.

Mr. STERLING. That is all a question of morals?

Prof. HOLCOMBE. Yes.

STATEMENT OF HON. JOHN C. KOONS, FIRST ASSISTANT POSTMASTER GENERAL, WASHINGTON, D. C.

The CHAIRMAN. Mr. Koons, I believe you are First Assistant Postmaster General?

Mr. KOONS. Yes, sir.

The CHAIRMAN. Have you had any connection with this telegraph and telephone business in the department?

Mr. KOONS. I am a member of the departmental committee.

Mr. MADDEN. I wish you would state what are the functions of the departmental board and the members of that board.

Mr. KOONS. The board is composed of the Postmaster General, as chairman; D. J. Lewis, a member of the Tariff Commission—

Mr. MADDEN. He is on all the boards, is he?

Mr. KOONS. He is on the rate committee and on this general committee. Mr. W. H. Lamar, the solicitor of the department, and myself. And we have general supervision of the service.

Mr. KOONS. In the outlining of policy?

Mr. KOONS. Yes.

Mr. STEENERSON. What is the function of the board?

Mr. KOONS. We have charge of the administration of the service and the policies to be followed.

The **CHAIRMAN.** Will you just go ahead now and make a statement in reference to this measure?

Mr. KOONS. I would like to make one or two brief statements regarding some of the questions asked to-day. One is the secrecy of the messages. I have just as much confidence in the integrity of the Government employee or Government officer, generally speaking, as I have in that of the private corporation. I do not think there would be as much danger—in fact, I think there would be far less—of divulging the contents of messages under Government control or operation as under private control. I think instances have been numerous where the contents of messages have been divulged. To prevent that, as soon as the Government assumed control of these lines we asked Congress to pass a very stringent measure prohibiting it, and Congress passed a measure providing a severe penalty for the delay of a message or the revealing of its contents to any person unauthorized to receive the same.

Mr. MADDEN. I would like to get somebody to punish the fellow who refused to send me a message from Richmond, on the 2d of January, which I have not received yet.

Mr. KOONS. I think he was before you yesterday.

Mr. MADDEN. No; he wasn't.

Mr. KOONS. That is one of the matters. Now, the question of Government ownership has been thoroughly discussed. I do not see how I could present it in a more able manner than the preceding witness, and it is unnecessary to add anything or to discuss it any further. I do not want to take the time of the committee.

As to the question of competition in the telegraph service. As said by the previous witness, there is not any real competition in the telegraph service. I do not say there is not competition to certain points, but it is not competition for all classes of business. In other words, the one company took only the most profitable business, discourages the unprofitable business; it is not a public utility. I am speaking now of the two large companies, the Postal and the Western Union.

Mr. MADDEN. In other words, they did not compete all over the United States?

Mr. KOONS. They did not compete all over the United States.

Mr. MADDEN. That, of course, is before us; we know that.

Mr. KOONS. And, for instance, you take in the Army camps, there was only one of the companies that extended its lines to the camps.

As to competition in the telephone service. It is the wish of the public to a very large extent that competition in the telephone service be eliminated as much as possible, that the systems be consolidated and unified. If we unified and consolidated the telephone systems,

the public would benefit by it, and there would be nothing to unscramble to any extent when the properties went back.

Mr. MADDEN. Do you wish us to understand it is the policy of the Post Office Department to encourage the Bell Telephone Co. to take over and consolidate all the competing telephone companies in the United States and that that is the function of the board?

Mr. KOONS. Absolutely no; they are not consolidated in that way. In some cases, if the Bell is the larger company, it may take over the smaller company; if the Independent is the larger, it takes over the Bell exchange; or in other cases they divide the territory. In Mr. Steenerson's State, I think the Bell and the other company divided the territory—one took half of the State and the other the other half.

Mr. STEENERSON. That did away with competition in Minnesota; they divided the territory and accomplished an economy.

Mr. KOONS. Yes. That could continue much faster under Government control and would not affect turning back the properties in any way, because the property rights must be protected in each case and be passed on by the Department of Justice before the systems are consolidated. So that no matter how long the extension there would be nothing, so far as any consolidation of the systems is concerned, to unscramble.

As to the telegraph systems, I think it is recognized generally that great economies could be effected by a consolidation of at least the branch offices and, in many cases, the main offices. That was touched on by the gentleman who testified here this morning as an operator. And it would not only result in economy, but equally as good, if not better, service to the public. The economies could be effected in this way: In many of the branch offices there is not sufficient work to keep the employee engaged half of his time. In a number of the hotels or in a number of the competitive points, you will see the two offices side by side and the employee idle half of the time, and one employee could handle all the work. The same is true of the wires.

Mr. MADDEN. Then one of the economies you inaugurated as soon as the Government took control, they refused to deliver a message to a man after they read it to him over the phone?

Mr. KOONS. That is one of the things we inherited.

Mr. MADDEN. No; that never happened until the Government took control.

Mr. KOONS. Mr. Madden, it happened before we took control.

Mr. MADDEN. I think it is an outrageous performance and ought not to be permitted.

Mr. KOONS. I absolutely agree with you.

Now, of course, if the main offices were consolidated, it would be necessary to reopen and unscramble the telegraph services. As to this resolution, the condition under which we are operating at the present time is simply this; we do not know whether the properties will be turned back in six months, three months, a year, two years or three years.

Mr. MADDEN. That is because you do not know when peace will be ratified.

Mr. KOONS. Because we do not know when peace will be ratified; that is the difficulty.

Mr. MADDEN. Now, if you are not going to do anything except as you suggest here, it would not make any difference whether they were turned back in a month, two months or three months; the uncertainty could not affect the improvements you suggest.

Mr. KOONS. We could make these improvements much faster under Government control than under private control. That is one thing. There is another thing, Mr. Madden, it would affect, and that is during the war the cost of the material advanced and the telephone extensions in this country practically ceased; they came to a standstill.

Mr. MADDEN. That is all over now.

Mr. KOONS. That is true, but it is necessary now to finance these extensions and to start in and speed that work up just as much as possible in an effort to catch up what has been lost.

Mr. MADDEN. Is it your idea that the Government of the United States shall finance these companies?

Mr. KOONS. No; but the companies operated by the Government, under Government control, with the return on their investments assured, are in a better position to finance themselves than if the property is thrown back on them.

Mr. MADDEN. You can not assure any return on the investment that they do not earn?

Mr. KOONS. No; only what they earn.

Mr. MADDEN. If the assurance is of the amount they earn and that only, what advantage is there to the companies of the Government guaranteeing they will get the return when the Government itself says in the contract it won't give them any return except the money they earn?

Mr. KOONS. And what they earn on the extensions, too, if they extend their plant and operations.

Mr. MADDEN. You are not giving any advantages I can see that would help them finance themselves if your statements are statements of fact.

Mr. KOONS. That is the representation made to us.

Mr. MADDEN. By whom?

Mr. KOONS. By the companies themselves.

Mr. MADDEN. But I do not understand the companies have anything to say about it?

Mr. KOONS. They have about financing extensions.

Mr. MADDEN. Are we going to listen just to the statements of the companies, and be guided by what they say?

Mr. KOONS. Absolutely not. But if these properties are turned back and it disorganizes their service, the public suffers.

Mr. MADDEN. You said a minute ago you were not disorganizing the service.

Mr. KOONS. No; I said unscramble.

Mr. MADDEN. There would not be anything to unscramble, except an office here and there.

Mr. KOONS. I said, as I understood the question, when the other witness was on the stand, you thought perhaps there would have to be an unscrambling; and I said the consolidations we put into effect would not have to be unscrambled for the telephone services. Now, if there is some definite time fixed, so that we know just how

long we are to operate these properties, we can go ahead and make arrangements to operate for that time and can make many improvements in the service and the companies can be prepared to take them back off of our hands when the time comes. Of course, when the proclamation was issued, naturally, I think, every person thought the war would last for another year. And naturally the companies thought the war would last for another year at least, but within a very few months or weeks after we took them over the armistice was signed and that will shorten very much the period of Government control. I think the important thing is to fix some definite time so we will know when the properties are to go back to the telephone companies so that we can operate them to the best possible advantage for that length of time and then turn them back to the companies and they to be prepared in the meantime to take them over.

Mr. RAMSEYER. You speak of fixing a definite date in the resolution for the period which they are to be operated by the Post Office Department. This is not asking for a definite date, but for a continuance until otherwise ordered by Congress. Now, what has caused you to change from the language of the resolution to a definite date?

Mr. KOONS. Because that date is indefinite and, in my judgment, there ought to be some definite date. Because if the resolution passes in its present form, there would be nothing to prevent Congress, at its next session, if called in extraordinary session, or on the 1st of December, immediately turning the properties back.

Mr. RAMSEYER. But you do not get my question: I want to know what was in the mind of the Post Office Department at the time this resolution was prepared?

Mr. KOONS. I do not know; I did not prepare that resolution, Mr. Ramseyer.

Mr. RAMSEYER. Did you have anything to do with preparing it?

Mr. KOONS. No. I understand this resolution is only a tentative suggestion.

Mr. RAMSEYER. Well, a definite date. How would a definite date, the 1st of April, do?

Mr. KOONS. That is too soon to turn the properties back. The companies would not be prepared to operate them by that date.

Mr. RAMSEYER. Don't you think, if Congress ultimately is going to turn them back, that the sooner they are turned back the better?

Mr. KOONS. If the companies were prepared to operate them and could operate them as efficiently as the Government, without any disruption of the service, I would say yes. But they are not in a position to do that; they admit themselves they are not in a position to do that. We should protect this service; it is a public service.

Mr. MADDEN. What makes you say that?

Mr. KOONS. That statement is based on the representations of the companies themselves; not only because of the financial troubles but because of the industrial and labor troubles during the period of reconstruction. With all the economic and industrial conditions disrupted nobody knows what is going to happen in the next six months. We feel that under these abnormal conditions the Government can deal with those problems more satisfactorily than possibly 10,000 corporations.

Mr. MADDEN. In other words, you think the Government ought to stand behind these properties and protect them in the conduct of the business in which they have their money invested?

Mr. KOONS. Yes; because it is a public service. Of course, people who have their money invested are entitled to every protection of their investment they can have; and in addition to that the public is entitled to have every protection of the service that can be afforded them. It should not be disrupted.

Mr. MADDEN. I would like to have the Government take my business over, but they won't do it. And I know thousands of other people the Government has not put its hands on and they would be glad to have the Government put its hands on their business and protect it.

Mr. KOONS. They are not public utilities. All classes of business could not be protected.

Mr. RAMSEYER. To get at the bottom of this thing, did you help prepare the resolution presented to Congress last July, and which was passed by Congress, authorizing the Post Office Department to take these properties over?

Mr. KOONS. No; I had no connection with that.

Mr. RAMSEYER. Do you know the moving forces there that impelled the administration or the Post Office Department, or both, to ask that power of Congress at that time?

Mr. KOONS. No; I do not, Mr. Ramseyer. I had no connection with the matter until after the resolution was passed and the proclamation issued.

Mr. RAMSEYER. Who in the Post Office Department knows that? Of course, the Postmaster General, I presume, knows it.

Mr. KOONS. I do not know of anyone. My understanding is the resolution was prepared by one of the Congressmen from Louisiana; and the Postmaster General, the Secretary of War, and the Secretary of the Navy appeared before the committee—I think it was the Committee on Interstate and Foreign Commerce—each one of them, and testified. But I did not read the hearings and I was not in touch with it.

Mr. RAMSEYER. If the only purpose for taking over these properties was for war reasons, that is, to preserve the secrecy of communications, of course when the war ends the reasons for taking them over end. If there are other reasons why the properties were taken over, that is, labor difficulties, financial difficulties, and others, why then the reasons for holding them would still exist?

Mr. KOONS. Yes, sir.

Mr. RAMSEYER. And then it would be a question to ascertain how long it would be necessary to hold them. You see what I am getting at?

Mr. KOONS. Yes.

Mr. RAMSEYER. And ultimately, before we get through with the hearings I want to get the fellows who can tell us those things.

Mr. KOONS. You recall at the time the resolution was pending, either before the House or the Senate, to the best of my recollection there was a threatened strike in the telegraph service, and I think the date had even been set for the calling of the strike.

Mr. MADDEN. There use to be a time, before war was declared, that every time we had a naval bill on the floor of the House, for 10 years

or more, or the Army bill, there was a threatened war with Japan—we didn't make the appropriations large enough. Would you say this strike compared with that in principle?

Mr. KOONS. I was not in personal touch with the people who were going to call the strike and to do not know the terms of the strike.

Mr. RAMSEYER. Do you know, or are you in a position to state, whether that threatened strike at that time had anything to do with the administration's recommending these properties be taken over?

Mr. KOONS. I am not familiar enough with that legislation, Mr. Ramseyer, to state positively about that.

Mr. STEENERSON. You spoke first about the secrecy of the communication?

Mr. KOONS. Yes, sir.

Mr. STEENERSON. You recognize the difference between first-class mail which is sealed and which the employees handling it know nothing about without breaking the seal, and these communications which are open and known to all who handle them, that there is a vast difference?

Mr. KOONS. Yes, sir.

Mr. STEENERSON. And you think that the secrecy would be just as well preserved with the Government in control as the private corporation?

Mr. KOONS. I do absolutely; yes, sir.

Mr. STEENERSON. Has there not been complaint to your knowledge that the secrecy even of first-class mail has been violated, that sealed letters have been broken open and the contents divulged by the officials of the department, post-office inspectors, and the like?

Mr. KOONS. I never knew of but one complaint of an official of the department, that was a post-office inspector, who was immediately removed from the service, and the case referred to the United States attorney for prosecution.

Mr. STEENERSON. You remember the instance of two Congressmen, both of them, I believe, from Massachusetts, who recently complained about it?

Mr. KOONS. Yes; but if you will read the hearings you will find the evidence very lacking in that case.

Mr. STEENERSON. But post-office inspectors do sometimes, by authority from the Post Office Department open sealed letters?

Mr. KOONS. They positively do not. The department can not grant that authority; and it is a violation of law. They have no more right to open a letter than you or I have.

Mr. STEENERSON. I understand from some of the ex-employees of the department that the practice has been quite general, and to avoid it they have addressed the letters to third parties.

Mr. KOONS. I am not responsible for any misstatements an ex-employee makes.

Mr. STEENERSON. No; of course not.

Mr. KOONS. I want to add this, Mr. Steenerson, there have been complaints of letters being tampered with by employees and there have been cases found where that was true, but they were immediately removed and prosecuted.

Mr. STEENERSON. Of course the violation of the secrecy of communications is a very serious matter, and we have had instances of it by inspectors.

Mr. KOONS. The only instance I know of is the one mentioned, but there would not be as much danger from that if handled under Government control as if handled under private control.

Mr. STEENERSON. No; but there is a difference between a private corporation, where it is part of its stock in trade to keep those secret, whereas the Government is not affected by that. Whatever they do they get the business anyway, because they have no competition; they have a monopoly.

Mr. KOONS. I would not charge, and there is no foundation for charging, Government employees as acting on a proposition of that kind in bad faith, besides attempt to throw around the communication every safeguard. You will recall we asked Congress to pass a very stringent law on that subject.

Mr. STEENERSON. Yes; and I helped to redraft it. I think it was in rather poor shape when it came from the Post Office Department, and my friend from Texas and I went to it and we thought we guarded that subject as well as it could be by legislation.

Mr. KOONS. You made a good job of it.

Mr. STEENERSON. I wanted to point out that there is a vast difference between those two kinds of communication, sealed letters and telegraph and telephone.

Mr. KOONS. And for that reason they should have the greatest safeguards thrown around them and have the highest class of employees to handle them, and therefore be under control of the Government.

Mr. STEENERSON. With regard to this elimination of competition by consolidation, as you instanced in Minnesota—

Mr. KOONS. Yes, sir.

Mr. STEENERSON. You say the Government could accomplish that result better than private companies?

Mr. KOONS. I said we could accomplish it faster and better.

Mr. STEENERSON. But this consolidation you referred to in Minnesota was accomplished without the help of the Federal Government?

Mr. KOONS. That was accomplished before the Government took control; yes, sir.

Mr. STEENERSON. So that that kind of reform is not dependent on control by the Federal Government?

Mr. KOONS. No; but the faster it is speeded up the better it is for the public.

Mr. STEENERSON. Have you anything to do with making the contracts with the telephone companies?

Mr. KOONS. I am a member of that committee; yes, sir.

Mr. STEENERSON. How many contracts have you made?

Mr. KOONS. I do not know the exact number.

Mr. STEENERSON. In round numbers?

Mr. KOONS. I say I do not know the total number. We have contracted with most of the large companies and a number of the smaller ones.

Mr. STEENERSON. You do not know the number?

Mr. KOONS. No, sir.

Mr. STEENERSON. You can not furnish that information?

Mr. KOONS. Yes, sir; I can furnish the information and would be glad to put it in the record.

The CHAIRMAN. Will you put the information as you have it in the record?

Mr. KOONS. Yes, sir. Contracts have been made with 35 companies.

Mr. STEENERSON. I have been told the number of contracts you have made so far as but a very small percentage of the total contracts that are to be made?

Mr. KOONS. That is true, Mr. Steenerson; but it represents a very large percentage of its service of the mileage.

Mr. STEENERSON. If you have only made, say, one-tenth of the contracts so far, during the six months—and I assume that simply for the purpose of illustration—then it would take you nine times longer to finish making the contracts?

Mr. KOONS. No, Mr. Steenerson; because we have made them with the larger companies.

Mr. STEENERSON. Would it take you longer to make contracts with the larger companies than with the smaller ones?

Mr. KOONS. Yes; but we could take them up by States and send a man to each State and make the contracts very fast.

Mr. STEENERSON. As a member of this board, you could not tell us how many months it would take to finish making those contracts, could you?

Mr. KOONS. I should say four or five months.

Mr. STEENERSON. You could finish them in four or five months?

Mr. KOONS. Yes, sir.

Mr. STEENERSON. You think in five months you will have that work finished?

Mr. KOONS. Yes, sir.

Mr. MADDEN. I would like to ask Mr. Koons a question: Mr. Koons, did you hear the last witness's statement with respect to the method of organization and the improvement he thought would result to the service under Government control?

Mr. KOONS. I heard most of it, Mr. Madden.

Mr. MADDEN. How does his statement strike you; do you concur in what he says?

Mr. KOONS. Yes, sir; his plan of organization, as near as I could understand, I think an excellent one.

Mr. MADDEN. I am not talking about the plan of organization; I am talking about whether you are going to get better service than you are getting now if you continue the control?

Mr. KOONS. Yes, sir.

Mr. MADDEN. Has it been the policy of the department to reduce the number of collections and deliveries in the mail service throughout the United States recently?

Mr. KOONS. In the mail service?

Mr. MADDEN. Yes.

Mr. KOONS. No, sir.

Mr. MADDEN. I wonder if there is any truth in this statement that is sent to the editors of the Boston newspapers:

Is there a newspapers in this city which has the courage to investigate the following charges and print the answers Why, when the Boston post office makes from \$4,000,000 to \$5,000,000 net returns each year, should they curtail the deliveries and collections one-third? In the main office alone there has been this week 15 regular carriers reduced to the substitutes list, and their

work added to the remaining carriers, rendering it impossible for them to perform their duties in the efficient and satisfactory manner to which the public is accustomed and entitled. Boston's business district has for the last 25 years received 7 deliveries daily; under this latest change they now receive but 5.

Would the policy of the department be, if they had control of the telegraph and telephone system, to reduce the service to the extent that we would get three deliveries where we now get five, or five where we now get seven and charge an increased price for the service?

Mr. KOONS. Absolutely not. And I think in fairness to the Postal Service, I would like to insert that in the record and show exactly what occurred in Boston. I will add this, however, it is possible that 15 carriers have been reduced to the substitute roll and that due to this fact: When a former employee returns from military service, he is immediately reinstated to his former position if he desires to be reinstated, and that reduces the last person appointed to the substitute roll. That being true, there may have been 15 persons reduced to the substitute roll.

Mr. MADDEN. I do not care anything about that side of it. I want to know whether the deliveries have been reduced, the number of deliveries daily. I know it is true in Chicago that the number of deliveries daily has been reduced. We do not get the service we used to get and do not get the deliveries we ought to get. And of course we can make a surplus in the Post Office Department if we do not make any deliveries. You can have it all surplus if you want to cut out the deliveries.

Mr. KOONS. I would be glad to put in the record, Mr. Madden, a statement in regard to the daily deliveries in those two cities.

(The following statement was submitted by Mr. Koons and is herewith printed in full:)

No complaints of deferred or omitted deliveries and no reduction in the carrier force.

On the contrary 27 additional carriers have been appointed since September 1, 1918, 24 of whom were chauffeurs. Three additional carriers were appointed September 1 to relieve congestion at Hawthorne and Chicago Lawn Stations and Norwood and Edson Parks. In requesting these additional carriers, the postmaster states:

"To give the necessary relief to the heavy districts without additional help would necessitate the reduction of service from three to two trips daily on a number of districts. Most of the three-trip districts at the station (Hawthorne) are generally closely built up, firms, of more or less importance located on many of them, and the amount of first-class mail involved warrants the continuance of the present service."

Reports received from a number of business men at Chicago, of whom inquiry was made, show that the service in that city is very satisfactory.

The records of the department show that the postmaster of Boston, under date of October 26, 1918, recommended a reduction in the number of deliveries from four to three trips daily on the 24 delivery routes in the residential section of South Boston. This recommendation was approved. Under date of October 30, 1918, the postmaster at Boston recommended a reduction in the Mattapan district, which is strictly residential, in the number of daily deliveries on 11 routes from three to two trips. This recommendation was approved.

Mr. MADDEN. I would like to know when the reduced number of deliveries was made and what effect it has had on the service, for if we are getting continual complaints now on that situation with respect to mail deliveries, what can we hope for with Government

control of the telegraph system? To-day we are not getting anything like the mail service we ought to get, and if it is not as efficient as it should be, what is there to justify the hope that the Government control of the telephone and telegraph systems will make them more efficient than they are today?

Mr. KOONS. In answer to that question, I would say this, the postal service, of course, has been operating during the war under war conditions; and, granting for argument's sake—which I am not willing to admit—that its efficiency has been reduced, I venture the statement it has not been reduced to as great an extent as the efficiency of any other corporation or public utility. It is due the postal employees who have rendered such wonderful service that I make that statement.

Mr. MADDEN. Now, the question is, do you know anything about the rates?

Mr. KOONS. I am not on the rate committee.

Mr. MADDEN. You do not know anything about the policy of Government operation except in connection with the making of contracts?

Mr. KOONS. And the operation of the service.

Mr. MADDEN. I am talking about the telegraph and telephone business.

Mr. KOONS. I say, to operate it at cost.

Mr. MADDEN. But there has been an increase of rates in the toll service?

Mr. KOONS. The Postmaster General approved the recommendation of the rate committee.

Mr. MADDEN. And who did the rate committee get the information from upon which to base an opinion that there should be an increase of rates?

Mr. KOONS. Mr. Holcombe was a member of that committee.

Mr. MADDEN. Do you know the percentage of increase made in the toll rates?

Mr. KOONS. The rates were standardized and necessarily in some places they made considerable increases; in others considerable reductions. Of course, in any standardization of rates you can pick out a case here and there where there has been a heavy increase.

Mr. MADDEN. The only fair way to try this out and compare it is on the person to person rate. Now, if you take a rate where the charge is made whether you get the person or not, that is not a fair comparison, because there is no such charge made now under private control. If you take a station-to-station rate, without respect to whether you get the person or not, and make a charge for that, that is not a fair comparison. But if you make the comparison between the person-to-person rate which exists to-day, and which has been put into effect by the Government of the United States under the Postmaster General's control, and you found the average increase in those rates has been 144 per cent, then there is some reason to inquire why?

Mr. KOONS. Is it your information the average increase has been that all over the United States?

Mr. MADDEN. That is what I figured it from the statements given to us. I just made a calculation the rates had been increased from 100 to 180 per cent.

Mr. BEAKES. If I may make a statement, I want to state here Mr. Madden's figures were incorrect. He took a 3-minute rate and compared it with a 1-minute rate, which does not exist all over the State; it exists only in certain places. And his comparison was made with a 3-minute person-to-person rate against a 1-minute person-to-person rate.

Mr. MADDEN. My computation of the increase was based on the figures that are in the order issued by the rate committee, or whoever issued it, that it was compulsory on the user of the telephone to make a 3-minute connection; that on the other hand it was not compulsory, before that, to make more than a 1-minute connection. And the practice shows that 40 per cent of all the calls—

Mr. BEAKES. By one individual—

Mr. MADDEN. The practice shows (I have been investigating it since) that 40 per cent of all the calls are concluded in 1 minute, and that this increased rate applies to 40 per cent of all the toll calls.

Mr. KOONS. Do you know to how many States that minute rate applies?

Mr. MADDEN. I think it applies anywhere, because I have had many calls where they have just charged me for the time I used.

Mr. KOONS. My understanding is the minute rate applied only to the States of Minnesota and California.

Mr. MADDEN. There may not be any regulation by the utility commissions of other States; I do not know whether there is or not; but the practice has been that they charged for the time you used the telephone, whether it was one minute, two minutes, or three minutes.

Mr. BEAKES. They charged for three minutes.

Mr. KOONS. They charged for three minutes.

Mr. MADDEN. At any rate, even if it applied only to one State, I do not agree to it. Now, I would like to ask you this question, whether you think it is an infinitely better business management for the Government of the United States to control these properties as a Nation-wide proposition than it is that they shall be regulated and controlled by the representatives of the people of the States, on the theory the Government of the United States is impersonal and can do no wrong and ought not to consult with the people and ascertain their wishes?

Mr. KOONS. I would like to answer that in two ways: First, it is a universal service, or it should be a universal service and therefore it should be under national control. The second answer would be this, that in controlling the service, in its operation the wishes of the people should be considered. In connection with the question of the decentralization of the service, I heard the remarks of the other witness on the stand and I thoroughly agree with him about decentralization; but there is no service to-day, public or private, doing the business that the Post Office Department does, that is decentralized to the extent that is. You take the Bell Telephone system to-day, it is controlled from New York City; its management is centralized. The same is true of each of the large telegraph companies, the Western Union and the Postal. The management should be centralized, but there is no reason why you can not decentralize operations and supervision of them. There is no reason why local communities and local needs should not be consulted and considered.

Mr. MADDEN. There is no reason why they should not be, but of course the practice has been and will be that when you want to get a question settled, and question of complaint or otherwise, that there is nobody in authority locally that can decide the question; they must refer it to the head office in Washington and have to wait until the time comes when the head office has time to consider it and they consider it strictly from an impersonal standpoint and do not consider the wishes of the person at the other end of the line at all. I think you will agree to that?

Mr. KOONS. You have no objection to my differing with you?

Mr. MADDEN. Not a bit; I want you to differ with me if you do not think so.

Mr. KOONS. Notwithstanding the great respect I have for you, I do not agree with you on that, Mr. Madden.

Mr. MADDEN. Oh, don't stand on your respect for me.

Mr. STEENERSON. You referred to the act in regard to protecting secrecy and the funds of these companies operated by the Government. I want to call your attention to section 2 of that act, of October 29, 1918, which I wish to read, as follows:

That whoever shall steal, purloin, embezzle, or without authority destroy any money, property, record, voucher, or valuable thing whatever of the moneys, goods, chattels, records, or property of any telephone or telegraph system operated by the Postmaster General under the act of Congress approved July 16, 1918, and the proclamation of the President dated July 22, 1918, shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

Now, how do you reconcile the contention of the Post Office Department, in face of that section, that these funds which are here defined as the property of the telegraph and telephone systems, operated by the Government, are still the funds and property of the United States?

Mr. KOONS. The funds received from the telephone companies in the operations of those properties and from which the Government must pay its operating expenses and the compensation for the use of these properties.

Mr. STEENERSON. You are aware that the department makes the contention that these funds are just as much Government funds as the postal receipts generally?

Mr. KOONS. If they were stolen the Government would be responsible for them and it was to protect the funds and property during the time they were under Government control; that act only continues during the Government's control of the properties.

Mr. STEENERSON. But this defines them as the property of the telegraph and telephone companies. Congress here declared this to be for the protection of the property of the telegraph and telephone companies operated by the Government.

Mr. KOONS. They are the properties of the telegraph and telephone companies.

Mr. STEENERSON. And that is the reason why you do not come to Congress for the appropriation when you spend this money, isn't it?

Mr. KOONS. We operate them and have operated them out of the operating revenues; yes, sir.

Mr. STEENERSON. Yes; you do not ask Congress for an appropriation from these funds?

Mr. KOONS. No, sir.

Mr. STEENERSON. And therefore you do not come within the constitutional provision that provides that all moneys in the United States Treasury must be spent and must be appropriated by Congress?

Mr. KOONS. That is correct.

The CHAIRMAN. Are you asking a legal question, Mr. Steenerson?

Mr. STEENERSON. I want to understand the attitude of the department. I understand they claim—I have seen another document here—that those are just as much postal funds as the receipts from the sale of postage stamps, but the receipts from the sale of postage stamps can not be expended or used without the consent of Congress.

Mr. KOONS. They are not part of the postal funds.

Mr. STEENERSON. They are not part of the postal funds; you do not claim that?

Mr. KOONS. No, sir.

Mr. STEENERSON. Do you know whether it was claimed in a brief filed by your department in this suit?

Mr. KOONS. I do not. That is a legal question. I have not passed on it, as I am not an attorney.

Mr. STEENERSON. I have a copy here, or at least an extract from it, where the contention is made that these funds are just as much postal funds as other ordinary funds of the Post Office Department; but you do not view it that way?

Mr. KOONS. If they are part of the postal funds they would be created as part of the postal funds and appropriated for as part of the postal funds; but they are not part of the postal funds.

Mr. STEENERSON. And you do not ask Congress to authorize the expenditure of them?

Mr. KOONS. No, sir.

Mr. STEENERSON. Nor do you ask Congress to authorize the levying of taxes in the shape of increased rates, which are analagous to increased postage rates?

Mr. KOONS. That was not provided in the resolution. Of course, we are operating under the resolution as it passed Congress.

Mr. STEENERSON. But does the Post Office Department or the Postmaster General hold these funds as part of the funds of the United States or funds of the telegraph and telephone companies?

Mr. KOONS. They are considered as operating revenues of the telephone and telegraph companies from which we pay the operating expenses.

Mr. STEENERSON. Without asking authority of Congress?

Mr. KOONS. Yes, sir.

Mr. MADDEN. Mr. Koons, will you tell me, if you can, whether the contracts thus far entered into with either the telegraph or telephone companies, obligate the Government to the payment of more or less than the receipts of the companies with which contracts have been made?

Mr. KOONS. They are made on the basis of the net earnings of each system so that each contract will take care of itself. Of course, some systems have months that are called "lean" months when the operating expenses exceed the revenues during that particular month.

Mr. MADDEN. I am talking about the aggregate.

Mr. KOONS Oh, no.

Mr. MADDEN. You mean to say you have not obligated the Government to pay more than the revenues with any company with which you have made a contract?

Mr. KOONS. What we believed the revenues would be.

Mr. MADDEN. But you have obligated the Government to pay that amount, whether the revenues reach that sum or not?

Mr. KOONS. Absolutely, we have not.

Mr. STEENERSON. I understood the contract made with the Bell system, so far as the Bell system in Minnesota is concerned, would obligate the Government for over a million dollars a year loss on the Minnesota business?

Mr. KOONS. Our contract with the Bell system is for the entire system; there may be some points where it would not pay enough, but there would be other places that would pay more than enough.

Mr. STEENERSON. It was mentioned here the loss on the Minnesota business under this contract would amount to over a million dollars?

Mr. KOONS. That is true in Michigan.

Mr. STEENERSON. Was it true of Minnesota?

Mr. KOONS. I do not know whether it is true of Minnesota or not, Mr. Steenerson.

Mr. MADDEN. Is there any contract entered into with any company out of which the revenues of other companies are taken to pay the obligations under the contract?

Mr. KOONS. The contracts were entered into on the basis of each company, absolutely and independently of any other company. Of course, that charge has been made.

Mr. MADDEN. No; it is not a charge; I am asking the question for information?

Mr. KOONS. That has not been done. They are all made on the basis of the revenues of the particular company. I would make one exception, and that is the Postal Telegraph Co., on which we could not tell what the revenues were.

Mr. MADDEN. The revenues showed on the face \$4,269,000?

Mr. KOONS. It depends—

Mr. MADDEN. You can tell from the receipts?

Mr. KOONS. It is from the receipts and expenditures.

Mr. MADDEN. Isn't it a question of what value they are capitalized at?

Mr. KOONS. It is a question of receipts and expenditures. The returns to the Interstate Commerce Commission showed one thing and the returns made to us showed another, so that we made a tentative award and then asked them to take the case into the Court of Claims and we would assist them in every way to arrive at a proper basis.

Mr. MADDEN. Assist to beat them?

Mr. KOONS. No, sir; assist them in their suit; the award would be made by the court.

Mr. STEENERSON. With respect to the loss in Michigan, say a million or more, and the loss in Minnesota, assuming that to be a million: Where is the Government to get the money with which to pay the loss?

Mr. KOONS. In the case you mention, Mr. Steenerson, that is only one unit of a complete system. We have a contract with the Bell

system for the complete system. And it would be the same for the Postal system; for instance, St. Paul—at the post office there it might be operated at a loss and at other places it would be operated at a profit, which would make up that deficit.

Mr. STEENERSON. But supposing the Bell system throughout the whole United States, under your contract, showed less receipts than you have money to pay them: Where is the money to come from?

Mr. KOONS. We do not anticipate that will happen.

Mr. STEENERSON. Suppose it did happen?

Mr. KOONS. It would have to be determined later.

Mr. STEENERSON. Would you come to Congress for an appropriation, or would you apply the surplus in the case of other companies that had a surplus?

Mr. KOONS. We would have a right to consider the operating surplus as one fund and pay any indebtedness out of it.

Mr. STEENERSON. Then in that way you would protect the Government against loss?

Mr. KOONS. Yes.

Mr. MADDEN. Suppose the operating revenues are not sufficient to meet the loss?

Mr. KOONS. Then we would have to come to Congress; they would have a claim against the United States.

Mr. MADDEN. The same as the Railroad Administration had to come for \$269,000,000?

Mr. KOONS. That could be covered in one of two ways; either to come to Congress for an appropriation or they could bring suit in the Court of Claims.

The CHAIRMAN. Would you have a right to make that up by a change in the rates?

Mr. KOONS. Absolutely you have a right to make that up by increasing the rates.

Mr. MADDEN. As to involving an increase in rates, how can you justify that; how can you justify increasing the rates in order to make up contract obligations you enter into with these companies, when they haven't made the money. What justifies the Postmaster General in making a contract with any of those concerns for money they have not earned?

Mr. KOONS. They have earned the money; but you can not look forward and see what they are going to earn next year or six months from now.

Mr. MADDEN. Then, if they do not make the return provided for in the contract, they should be scaled down that much, and the ordinary taxpayer should not be levied with it?

Mr. KOONS. I do not think that would be altogether a fair contract to the investor.

Mr. MADDEN. But there are more people involved in this than the investor; the whole people of the United States are involved in this, and have they no chance to be considered at all?

Mr. KOONS. They have, absolutely; you have to consider it from the standpoint of the investor and the public both.

Mr. MADDEN. The public does not seem to be considered. You say there is a chance of making up the deficit by increasing the rates, and who would pay the increased rates but the public?

Mr. KOONS. Yes, sir; but who would pay it under private ownership?

Mr. MADDEN. There you would have a chance to draw against any deficit under private ownership and make the report show you were giving a cheaper service and, perhaps, a better service without any additional tax.

Mr. KOONS. We have the same revenues to draw from as a private corporation, and if it is under private ownership and the law says you can increase the rates, and they have done it.

Mr. HOLLAND. I understood you to say just now that certain of the companies now, even if Government control was continued, desire certain extensions of their properties to be made. Am I right about that?

Mr. KOONS. It is necessary for all of them to make extensions to meet their growing business. Possibly what you have in mind, I may have said a combination of the properties.

Mr. HOLLAND. Can you tell me just exactly what extensions would probably be necessary?

Mr. KOONS. That I can not tell, because they are submitted to us by the companies each year, and they have not submitted the extensions for the next year.

Mr. BLACK. We have the question of undertaking to institute the consolidations and other ideas that have been advanced here for the improvement of the service, and looking only to the question of the uncertainty that exists as it affects the financial operations of the companies, do you not think that to make this time until January 1, 1920, would be ample to take care of that particular feature of the matter?

Mr. KOONS. I fear not. Most of the companies think the extension ought to be made for from two to five years. I would say this, in connection with that—

The CHAIRMAN. When you say most of them who is it wants the extension?

Mr. KOONS. The owners of the properties want the extension.

The CHAIRMAN. The owners of the properties want the extension from two to five years?

Mr. KOONS. Yes; and I will say this, Mr. Black, in answer to that, the telephone systems, the telegraph question, as well as the railroad question, is one that will have to be considered by Congress.

I do not mean necessarily Government ownership, but if the properties go back, there will have to be some Federal control over them. If there is no extra session of Congress and the time is extended until the 1st of next January, that would only be a month after the convening of Congress.

Mr. BLACK. My question was based on the assumption we would brush aside this question of monopolizing the whole thing, as to whether we wanted to do that, and leave that come up later for the people to pass upon it. And waiving that feature aside and looking only to the question of the uncertainty as it affects the telephone companies, would not the fixing of a definite period, we will say January 1, 1920, take care of that particular feature of uncertainty?

Mr. KOONS. Of course, possibly that feature would be taken care of; but as these properties are turned back of course you have to

deal with the larger systems and you have to deal with the 48 States themselves and the State laws of 48 States, and they were gradually getting into the same condition that the railroads were.

Mr. BLACK. I would not undertake to argue that question; I guess there would be the two viewpoints on that.

Mr. KOONS. Absolutely.

Mr. STEENERSON. There was another point about this extension. This resolution of Congress which authorized the taking over of the telegraph and telephone companies contained the proviso "That nothing in this act shall be construed to amend, repeal, impair, or affect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers, or regulations may affect the transmission of Government communications, or the issue of stocks and bonds by such system or systems." Now, this authority that is now exercised over those properties is pursuant to this resolution?

Mr. KOONS. Yes, sir.

Mr. STEENERSON. And subject to this limitation?

Mr. KOONS. Yes, sir.

Mr. STEENERSON. Now, I understand that there is in many of the States a dispute about the rates; that many of those cases have been taken into court. That is true, is it not?

Mr. KOONS. Yes, sir.

Mr. STEENERSON. Perhaps half a dozen States have the Government now in litigation in the courts?

Mr. KOONS. That is correct.

Mr. STEENERSON. Now, the authority of Congress, under this resolution is simply exercised under the war power, as I understand you?

Mr. KOONS. Under the power of that resolution; yes, sir.

Mr. STEENERSON. And that if we extend the period of Government control beyond the declaration of peace, then that resolution would confer upon the Post Office Department or upon the Government control over these properties under the postal clause of the Constitution; because the war power would cease and Congress would therefore confer it under the power to establish post offices and post roads, under which it might be supposed that the authority of the Government, through the Post Office Department, would be exclusive. And thereby, by passing such a resolution, we would affect the litigation now pending and prejudge it. Have you considered that?

Mr. KOONS. I am not an attorney, Mr. Steenerson.

Mr. STEENERSON. No; but then you are a member of this board and you are advocating this extension?

Mr. KOONS. I would not so construe this resolution, if you passed another resolution fixing the period, it simply amends that resolution to that extent?

Mr. STEENERSON. Do you think if such a resolution were passed it ought to contain such a limitation as the original law did?

Mr. KOONS. It would not affect that limitation at all; I would not have any objection to it being hooked onto it.

Mr. STEENERSON. But if this has vigor and force simply by reason of the war power and we extend it in times of peace, after peace is declared, shouldn't we base it upon the postal power?

Mr. KOONS. I see your point, and my judgment is this resolution—

Mr. STEENERSON. You would have no objection to putting in the same limitation in the resolution?

Mr. KOONS. No.

Mr. STEENERSON. The same as the joint resolution contained, in this act of July 16, 1918?

Mr. KOONS. No.

Mr. STEENERSON. Protecting the taxes of the States and the police power of the States?

Mr. KOONS. No. Because this resolution was never considered by anyone as repealing that.

Mr. STEENERSON. You can see the fear we might take away what Congress has already preserved to the States?

Mr. KOONS. I would have no objection to it; no, sir.

Mr. RAMSEYER. Do I understand you to say that all the telephone and telegraph companies want a continuance of this control?

Mr. KOONS. Not all of them.

Mr. RAMSEYER. Most of them?

Mr. KOONS. Most of them, is my understanding.

Mr. RAMSEYER. That is, representing nearly all the mileage of the country?

Mr. KOONS. Yes, sir.

Mr. RAMSEYER. How have you found that out?

Mr. KOONS. I have asked them when they came to the department there, the people we deal with, is the way I have found it out.

Mr. RAMSEYER. That is, you have talked with responsible officials of those large companies and they want a continuance?

Mr. KOONS. Yes.

Mr. RAMSEYER. Now, then, tell the committee why they want a continuance of this national control and for how long and for what purpose.

Mr. KOONS. Because of the period of this uncertainty; because labor and industrial conditions—

Mr. RAMSEYER. Labor conditions—that is, they are afraid of extraordinary demands from labor for wages?

Mr. KOONS. Not only that, but it is impossible to tell what the industrial and economic conditions of the country will be for the next year or two.

Mr. RAMSEYER. What do you mean by that? What are the elements of danger in that?

Mr. KOONS. In some places they say there is more labor than needed, and labor was never more restless than it is to-day. And this control should be extended during that period, whether that will be for six months or whether it will take two years is hard to tell.

Mr. RAMSEYER. Are the postal officials afraid the condition in this country which now prevails will develop into the condition which prevails in Russia, Germany, and France—bolshevism?

Mr. KOONS. I have more confidence in the intelligence of our people than that.

Mr. RAMSEYER. I am not talking about your confidence, but I will say the postal officials?

Mr. KOONS. The postal officials are not, but they think there might be conditions which would not be anything like the conditions in Russia or Germany, but there is no question that the industrial conditions in this country during the next two years will be very serious.

Mr. RAMSEYER. Do you think industrial unrest would be allayed by the Government retaining control of these utilities?

Mr. KOONS. I think the Government would be in a better position to handle this problem; yes, sir.

The CHAIRMAN. Will you state how many prominent men have advocated the Government ownership of telegraphs and telephones?

Mr. KOONS. That matter is fully covered in a historical résumé to the report of a committee, of which I was a member, which was compiled in November, 1913, and which, with your permission, I will insert in the record.

The CHAIRMAN. You may do so.

HISTORICAL RÉSUMÉ OF THE AGITATION FOR GOVERNMENT OWNERSHIP OF THE TELEGRAPH AND TELEPHONE IN THE UNITED STATES.

CONSTITUTIONAL PROVISION FOR POSTAL ESTABLISHMENT.

Congress is empowered by the Constitution "to establish post offices and post roads."

It has been competently decided and long accepted that the power thus delegated to the National Government was that of transmitting intelligence and not merely of employing the then known means of transmitting intelligence. For the exercise of this power the Post Office Department was created. It was at first a small, crude office, inadequate for even the primitive needs of the eighteenth century. Mail of all kinds, including letters, was carried by private expresses, and it was not until 1845 that the Government assumed its constitutional monopoly of the transmission of intelligence, by prescribing penalties for the infringement of it.

The Government has not been alert to incorporate in its system new means of administering the service intrusted to it, but has, necessarily perhaps, permitted private enterprise to supplement its service and to blaze the trail into untried fields of usefulness. It is well understood that the powers of the Federal Government, so long as not exercised by it, may be assumed by the States and even by individuals. It is equally well understood that such powers, though long unused by the Federal Government, are never by that circumstance alienated. Vested rights can not possibly be acquired within the field of Federal prerogative.

The Government does not now perform the full postal function assigned to it by the Constitution, though the Post Office Department has grown and developed into an efficient organization with a vast field service reaching everywhere and is fully capable of controlling and operating every known instrumentality for the transmission of intelligence. Two essentially postal agencies, the telegraph and the telephone, are owned and controlled by commercial companies. The private operation of these agencies is a far greater impairment of the postal revenues and a far more serious handicap to the universal and impartial extension of the Postal Service than was the operation of private expresses for carrying letters and packets against which the legislation of 1845 was effectually directed.

ELECTROMAGNETIC TELEGRAPH, 1843.

The electrical discoveries and inventions of Morse and others were first practically applied to the transmission of intelligence by the Government. On March 3, 1843, Congress appropriated \$30,000 to test the practicability of the electromagnetic telegraph. A line was stretched under the direction of Prof. Morse between Washington and Baltimore, and on May 24, 1844, communication was opened. Three days later the proceedings of the Democratic convention, sitting at Baltimore, was reported in Washington by means of an instrument installed in the east end of the Capitol.

356 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

The Congressional Globe reports the following proceedings in the Senate on June 5, 1844:

"The President pro tempore laid before the Senate a communication from the Treasury Department inclosing Prof. Morse's report of the completion of the electromagnetic telegraph from the city of Washington to the city of Baltimore, as authorized by the act of March 3, 1843. The Secretary of the Treasury ad interim, in making this communication, says: '* * * the perfect practicability of the system has been fully and satisfactorily established by the work already completed. * * *'

"The report—that is, by Prof. Morse—details the operation in bringing the experiment to a successful issue, and states * * * that of the \$30,000 appropriated by Congress, \$3,400 remains unexpended and will probably suffice for current expenses till Congress sees fit to extend the experiment."

POSTAL NATURE OF THE TELEGRAPH.

The postal nature of the telegraph was from the beginning clearly apprehended. In the appropriation act of August 10, 1846, it is provided that "the proceeds of the telegraph between Washington City and Baltimore be, and the same are hereby, directed to be placed in the Treasury of the United States for the benefit of the Post Office Department in the same manner as other revenues from postage."

There were not lacking in that day farsighted men who clearly saw the significance of the new invention and the political folly of relinquishing Government ownership and control. Henry Clay advocated Government ownership of the telegraph in 1844, saying: "It is quite manifest it is destined to exert great influence on the business affairs of society. In the hands of private individuals they will be able to monopolize intelligence and perform the greatest operations in commerce and other departments of business. I think such an engine should be exclusively under the control of the Government."

REPORT OF POSTMASTER GENERAL JOHNSON, 1845.

The then Postmaster General, Hon. Cave Johnson, in his annual report for the fiscal year 1845 urged that the control of so valuable an agency for the diffusion of intelligence should be left in the hands of the Government, where its operation would be conducted for the benefit of the public. Unfortunately, he was unable to foresee that such operation would ever become a source of revenue rather than of expense, and his pessimism regarding the financial phase of the telegraphic service undoubtedly had much to do with defeating the very recommendation that he urged on the broad ground of public policy. His complete statement on this subject is as follows:

"The electromagnetic telegraph, invented by Prof. Morse, and put in operation between the cities of Washington and Baltimore under appropriations made by Congress, was placed under the superintendence of the Postmaster General by a clause in one of the appropriation acts of the 3d of March last. It had been in use the previous year under the direction of the Secretary of the Treasury, but had been conducted more with reference to the testing of its capabilities and such experiments as tended to perfect and improve its operations. Having been transferred to the Post Office Department, I at once adopted regulations to bring it into constant service as a means of transmitting intelligence accessible to all, and prescribed the rates of postage. The copy of the order, which accompanies this report, marked 'No. 11,' will show the regulations and the rates of postage adopted. One-half of the rates of postage suggested by Prof. Morse was adopted by me, under the hope that it would greatly increase its revenues. It went into operation on the 1st of April, having expended \$680.15 before the charge of postage commenced. From the 1st of April to the 1st of October the expenditures amounted to \$3,244.99, making the whole expenditure \$3,925.14, while the revenues for the six months amounted to the sum of \$413.44.

"In estimating the expenditures of this line the salary of Prof. Morse, perhaps, ought to be added. It was fixed by the regulations of the Treasury, and continued in estimates upon which the last appropriation was founded; and his time has been devoted to the general interests and improvements of the telegraph, and a portion of it spent in Europe, where, in his judgment, it could be more successfully done than here.

"I deem it my duty to bring to your notice the fact that the subject of telegraphic communications, in their fullest extent, as made available by means of this extraordinary invention, is forcing itself upon the attention of the public. The proprietors of the patent securing the exclusive use of the telegraph have, since the last Congress, taken the most active measures to establish lines of communication between the principal cities of the Union. Their success will introduce a means of communicating intelligence amply sufficient for a great variety of purposes and greatly superior in dispatch to those of the public mails, and must secure to itself much of the business that has heretofore been transacted through them, and to that extent diminish the revenues of the department.

"It becomes, then, a question of great importance. How far will the Government allow individuals to divide with it the business of transmitting intelligence—an important duty, confided to it by the Constitution, necessarily and properly exclusive? Or will it purchase the telegraph and conduct its operations for the benefit of the public? Experience teaches that if individual enterprise is allowed to perform such portions of the business of the Government as it may find for its advantage, the Government will soon be left to perform unprofitable portions of it only, and must be driven to abandon it entirely or carry it on at a heavy tax upon the public Treasury. In the hands of individuals or associations the telegraph may become the most potent instrument the world ever knew to effect sudden and large speculations—to rob the many of their just advantages and concentrate them upon the few. If permitted by the Government to be thus held, the public can have no security that it will not be wielded for their injury rather than their benefit. The operation of the telegraph between this city and Baltimore has not satisfied me that under any rate of postages that can be adopted its revenues can be made to equal its expenditures. Its importance to the public does not consist in any probable income that can ever be derived from it; but as an agent vastly superior to any other ever devised by the genius of man for the diffusion of intelligence, which may be accomplished with almost the rapidity of light to any part of the Republic, its value in all commercial transactions, to individuals having the control of it, or to the Government in time of war, could not be estimated. The use of an instrument so powerful for good or for evil can not with safety to the people be left in the hands of private individuals uncontrolled by law."

Order No. 11, to which reference is made by Mr. Johnson, is dated March 29, 1845, and prescribes the salaries of Prof. S. F. B. Morse, superintendent, and his assistants; provides rules for the administration of the service, and that—

"For the transmission of each dispatch there shall be paid in advance, at the office from which it is sent by the applicant, one-quarter of 1 cent for each telegraphic character. Upon the reception of a dispatch at either office it shall be the duty of the officers to have the same translated in a fair handwriting, carefully enveloped and sealed, and the magnetic characters immediately destroyed, and to place the dispatch in the hands of the penny post for delivery, who shall be entitled to receive the same compensation therefor as for the delivery of letters transmitted now by mail.

* * * * *

"In consideration of the facilities allowed by the railroad company to the superintendent and his assistants in attending to the business of the telegraph, it is further ordered that the free use of the telegraph be conceded to said company for the transmission of communications relating to the business of their road."

PROPOSAL OF PROF. MORSE.

Prof. Morse himself was impressed by the propriety of Government ownership of his invention and offered his patent to the Government for \$100,000, saying that it was "an engine for good or evil, which all opinions seem to concur in desiring to have subject to the control of the Government, rather than have it in the hands of private individuals or associations." It is to be regretted that this proposal did not receive favorable consideration at the hands of Congress, but it is to be noted that his own right to the exclusive telegraph idea was disputed by other inventors and was to be the subject of protracted litigation, so that the purchase of his patent did not present to Congress the clear-cut alternative that was to be desired in expending a large amount of Government funds for an intangible idea the value of which was at that time problematical.

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CONGRESS AUTHORIZES SALE OF GOVERNMENT TELEGRAPH, 1846.

The telegraph service between Washington and Baltimore was not self-supporting, and appropriations for its maintenance were made but grudgingly by Congress. Every attempt to secure legislation authorizing the building of additional lines failed. On June 19, 1846, the culmination of this short-sighted legislative policy was reached in the act of that date, appropriating—

"For defraying the expenses of the magnetic telegraph from the city of Washington to Baltimore, \$4,000; this appropriation to be available, if need be, before the commencement of the next fiscal year: *Provided*, That the Postmaster General be, and he is hereby, authorized to let, for a limited time, the aforesaid telegraph to any person who will keep it in operation for its earnings; or he may, under direction of the President of the United States, sell the same."

REPORT OF POSTMASTER GENERAL JOHNSON, 1846.

In his report for the fiscal year ended June 30, 1846, Postmaster General Johnson reiterated his contention for a Government-owned telegraph:

"In my last annual communication I brought to your notice this extraordinary invention of Prof. Morse for the transmission of intelligence; its importance in all commercial transactions to those having the control of it; and to the Government itself, particularly in a period of war. I then expressed the opinion that an instrument so powerful for good or for evil could not, with safety to the citizen, be permitted to remain in the hands of individuals uncontrolled by law. Another year's experience gives additional weight to the opinions then expressed.

"Telegraphic lines have been established from New York to Boston, Buffalo, Philadelphia, Baltimore, and Washington City; and others are in contemplation from this city south and from Buffalo west, and will be extended to the principal cities of the Union in a few years. It now enables those controlling it to transmit intelligence instantaneously between the different cities where it has been established, and to the important commercial points in the South and West several days in advance of the mails. The evils which the community may suffer, or the benefits which individuals may derive from the possession of such an instrument, under the control of private associations or incorporated companies not controlled by law, can not be overestimated.

"I may further add that the department, created under the Constitution and designed to exercise exclusive power for the transmission of intelligence, must necessarily be superseded in much of its most important business in a few years if the telegraph be permitted to remain under the control of individuals. It is the settled conviction of the undersigned that the public interest, as well as the safety of the citizen, requires that the Government should get the exclusive control of it, by purchase or that its use should be subjected to the restraints of law. Entertaining these opinions, I addressed a letter to the president of the association owning the patent right, to ascertain, as far as practicable, the probable cost if Congress should be inclined to make the purchase. A copy of the reply is herewith communicated, marked 'E.'

"The association is willing to dispose of the right to the Government, but is unwilling to enter into any negotiation upon the subject without authority first given by Congress. I also caused inquiries to be made, from the best sources of information, as to the cost of construction, the expense of keeping up the lines the profits, and the capability of such lines for the transmission of intelligence. I have received replies, giving minute and detailed statements upon the subjects referred to, which remain on the files of the department for the use of Congress, should they be deemed necessary."

SALE OF THE GOVERNMENT LINE, 1847.

Nothing came of all these recommendations, however, and on March 4, 1847, the Postmaster General, confronted by a depressing condition of the postal finances and despairing of legislative support in prosecuting the enterprise as a part of the Postal Service, effected the sale of the Government line.

This was the period of the Mexican War and of intense political rivalry and sectional controversy. It was also a period of unparalleled expansion. Railroad building and other internal improvement was being prosecuted with dizzy acceleration. The wilderness of the West had become a kaleidoscope of development that was exhilarating and bewildering. In the midst of a host of seemingly greater issues Congress neglected the telegraph.

"WILD-CAT" DEVELOPMENT.

But if the Government was slow to enter into the new enterprise, promoters and speculators eagerly seized upon the opportunity and organized companies for the extension of telegraphic communication. Questionable financial methods and unsubstantial building was characteristic of many of these companies, their object being rather to sell stock than to perform any real service to the public.

RISE OF THE WESTERN UNION AND THE ACT OF 1866.

By 1866 these early "wild-cat" concerns had been absorbed by the Western Union Telegraph Co., and an object lesson of the monopolistic tendency of the business was clearly presented. The widespread use during the war of telegraphic lines and equipment by the Signal Corps had shown forcibly the public nature of the utility and the practicability of Government management. In that year Congress enacted the legislation in regard to the telegraph that is still in force:

"AN ACT To aid in the construction of telegraph lines, and to secure to the Government the use of the same for postal, military, and other purposes.

"Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That any telegraph company now organized, or which may hereafter be organized under the laws of any State of this Union, shall have the right to construct, maintain, and operate lines of telegraph through and over any portion of the public domain of the United States, over and along any of the military or post roads of the United States which have been or may hereafter be declared such by act of Congress, and over, under, or across the navigable streams or waters of the United States: *Provided,* That such lines of telegraph shall be so constructed and maintained as not to obstruct the navigation of such streams and waters, or interfere with the ordinary travel on such military or post roads. And any of said companies shall have the right to take and use from such public lands the necessary stone, timber, and other materials for its posts, plers, stations, and other needful uses in the construction, maintenance, and operation of said lines of telegraph, and may preempt and use such portion of the unoccupied public lands subject to preemption through which its said lines of telegraph may be located as may be necessary for its stations, not exceeding 40 acres for each station; but such stations shall not be within 15 miles of each other.

"Sec. 2. And be it further enacted, That telegraphic communications between the several departments of the Government of the United States and their officers and agents shall, in their transmission over the lines of any of said companies, have priority over all other business, and shall be sent at rates to be annually fixed by the Postmaster General.

"Sec. 3. And be it further enacted, That the rights and privileges hereby granted shall not be transferred by any company acting under this act to any other corporation, association, or person: *Provided, however,* That the United States may at any time after the expiration of five years from the date of the passage of this act, for postal, military, or other purposes, purchase all the telegraph lines, property, and effects of any or all of said companies at an appraised value, to be ascertained by five competent, disinterested persons, two of whom shall be selected by the Postmaster General of the United States, two by the company interested, and one by the four so previously selected.

"Sec. 4. And be it further enacted, That before any telegraph company shall exercise any of the powers or privileges conferred by this act, such company shall file their written acceptance with the Postmaster General of the restrictions and obligations required by this act.

"Approved, July 24, 1866."

REPORT OF POSTMASTER GENERAL RANDALL, 1867.

Postmaster General Randall, in his report for the fiscal year ended June 30, 1867, referred to the fact that the subject of connecting the telegraphic system of the country with the Postal Service had attracted public attention, and that it had recently transpired that the telegraphic system of Great Britain had been put in charge of the British post office department. After stating that it was a matter of very great importance which ought to be thoroughly investigated

by Congress, he expressed the opinion that the most efficient mode of examination of the subject would be the appointment of a special commission to inquire into the working of the new arrangement in Great Britain and into its feasibility in the United States and report to Congress.

REPORTS OF POSTMASTER GENERAL CRESWELL, 1869 AND 1871.

In his report for the fiscal year 1869 Postmaster General Creswell referred to the fact that his predecessor (Randall), under date of January 9, 1869, had addressed the Speaker of the House of Representatives in relation to the postal telegraph, inclosing a communication on the subject from Gardiner G. Hubbard, of Boston, and stated that he should defer making any recommendation concerning it until a greater degree of efficiency could be attained in the Postal Service as then constituted.

Mr. Creswell again refers to the subject in his report for the fiscal year ended June 30, 1871, and after discussing the progress of the regulation and control or the ownership and management of telegraph systems in foreign countries, referring particularly to the operation of the system under the Government in Great Britain, which became effective February 5, 1870, he makes the following comment:

"These facts, all tending with overwhelming force in one direction, demonstrate conclusively the utility of the postal telegraph for both Government and people.

"Some may hesitate to adopt it in this country because of the great extent of our territory, the paucity of our population in certain large sections, and the great expense involved in extinguishing the rights of telegraph companies. The first two are the same objections that were urged for many years against all ameliorations of our Postal Service; nevertheless postages have been cheapened and made uniform and at the same time the postal system has been maintained and improved. Rightly viewed, the extent of the country is a strong argument in favor of a postal telegraph and the additional facilities and uniform rates it will afford. It is only in countries of large extent that the value of instantaneous or nearly instantaneous communication can be appreciated. Who that desires to convey or acquire any information would hesitate between sending a telegram from New York to California in 7 minutes for 20 cents and sending a letter in 7 days for 3 cents? Our sparse population is rapidly growing more dense by the acquisition of one million and a quarter of people per annum. As railroads are extended across the plains and through the mountains they banish solitude and reclaim the wilderness with a celerity unknown to men of the last generation. The emigrant of to-day moves as part of an organized community. The railroad preserves for him a channel of constant supply, and the telegraph keeps unbroken the communication between the new and the old homestead. Before many years we shall hear complaints, not that we have too much land but rather that we have not enough. It is true that a large sum of money will be required for the purchase of the present telegraph lines and their appurtenances. But if this be a difficulty, delay only magnifies it, for, admitting that the Government must at some time become the exclusive proprietor of the telegraphs, it is clear that every year will add to the amount of purchase money it will have to pay. The companies now in existence will extend their operations and new companies well be organized from time to time, all of whom would demand compensation for a surrender of their privileges and property. I therefore deprecate further delay as injurious to the public interests."

MESSAGE OF PRESIDENT GRANT, 1871.

In transmitting to Congress this report of the Postmaster General, President Grant wrote:

"The suggestions of the Postmaster General for improvements in the department presided over by him are earnestly recommended to your special attention; especially do I recommend favorable consideration of the plan for uniting the telegraphic system of the United States with the postal system. It is believed that by such a course the cost of telegraphing could be much reduced and the service as well, if not better, rendered. It would secure the further advantage of extending the telegraph through portions of the country where private enterprise will not construct it. Commerce, trade, and, above all, the

efforts to bring a people widely separated into a community of interest are always benefited by a rapid intercommunication."

"WASHBURN" AND "HUBBARD" PLANS BEFORE CONGRESS, 1871-2.

In the meantime the 5-year period stipulated in the act of 1866 had expired and two distinct propositions were being urged in Congress. The first of these, indorsed by the President and the Postmaster General, was originated by Hon. C. C. Washburn, of Wisconsin, and was twice submitted by him in the form of a bill. Mr. Washburn's plan contemplated that the Government should take possession and own the entire telegraph system of the country and operate it as a part of the postal system.

The second proposition was known as the "Hubbard" plan, from its having been originated by Gardiner G. Hubbard, of Boston. The details of this plan were included in December, 1872, in a bill entitled "A bill to connect the telegraph with the Postal Service, and to reduce the rates of correspondence by telegraph." The plan proposed the incorporation of a private company to which should be granted special privileges by the Government, in return for which it should contract with the Post Office Department for the transaction of the telegraphic business of the country at certain specified rates. In other words the plan proposed some such contract relation between this company to be incorporated and the Postal Service as exists between the railroads and the Postal Service.

The division of opinion on the part of those who favored a union of the telegraph with the Postal Service between these two plans of contract and ownership was a source of strength to those who opposed both plans. In a speech in the House of Representatives on January 27, 1872, Congressman Beck said that he believed—

"Gen. Washburn in his report made it clear that the Hubbard scheme would accomplish nothing, while Mr. Palmer, in his report in behalf of that bill, made it clear that the Government's ownership plan is fraught with evil only."

The popular demand for better and cheaper telegraph service had been stimulated by the acquisition in Great Britain in 1870 by the Government of all telegraph lines and the immediate betterment of telegraphic conditions in that country, but for the reason indicated and others no legislation was secured.

REPORT OF POSTMASTER GENERAL CRESWELL, 1872.

In the report of Postmaster General Creswell for the year 1872 he deals at length with the subject of a Government telegraph. His discussion is introduced with a reference to his action in fixing rates for Government messages under authority of law, the protest on the part of the Western Union Telegraph Co., and the subsequent modification of the rates first proposed. Following this he adds—

"Grave difficulties have arisen from time to time between the Government and certain of the telegraph companies, which have declined and still decline to furnish such facilities as are deemed essential to the perfect success of the Signal Service.

"In my opinion, a Government telegraph affords the only safeguard against the continuance of such evils. While the embarrassment consequent on the attitude of the telegraph companies toward the Government demands prompt attention, it is but one of the many considerations which point to the adoption of a postal telegraph as a measure of immediate public necessity.

"When, through the liberality of Congress, the first telegraph line had been constructed and the partial success of the invention demonstrated, the question arose whether the Government should purchase the patent or relinquish to private parties the line which it had built. The reasons why the Government should assume control of this new means of transmitting intelligence were forcibly set forth in various letters of the inventor and in a report of the Ways and Means Committee of the House of Representatives.

"The following paragraph of the report must now be read with peculiar interest:

"The committee might easily add to the views and arguments which they have now presented others of a highly commanding character, especially those which relate to the extreme value of which the magnetic telegraph would be

in the emergencies of war, and its singular adaptedness to render our system of government easily and certainly maintainable over the immense space from the Atlantic to the Pacific which our territory covers. Doubt has been entertained by many patriotic minds how far the rapid, full, and thorough intercommunication of thought and intelligence, so necessary to a people living under a common representative Republic, could be expected to take place throughout such immense bounds. That doubt can no longer exist. It has been resolved and put an end to forever by the triumphant success of the electromagnetic telegraph of Prof. Morse, as already tested by the Government.'

"Owing to the slowness of the public to recognize the advantages of the new invention and the doubts cast on the feasibility of its operation over long distances, the course recommended by the committee was not adopted, and the line, built and for some time maintained at Government expense, was turned over to the holders of the patent. Since that day the above predictions have been gradually approaching realization, and many evils, unforeseen by this committee, have grown up under corporate management of the telegraph system."

After comment on the rivalry of the telegraph with the mail, the defects and abuses of the telegraph under corporate management and oppressive tariffs, the report continues—

"But perhaps the greatest evil of the American system in this regard is the utter lack of restraint upon the companies as to their charges. When the 'exclusive right' or patent, referred to in the report above quoted, expired it was believed that competition would afford a remedy for the evils which were even then oppressively felt by those who had occasion to use the telegraph. Events, however, have shown this belief to have been unfounded. Although new companies have from time to time sprung up to divide the profits of telegraphy, they have generally proved short lived, and their reductions of tariff have been but temporary and within narrow limits. The vast extent of the lines of the companies now consolidated under the name of the Western Union has enabled them to reduce rates between places reached by the opposition to a point which barely enables the latter to meet expenses without seriously impairing their own revenues. Incredible as it may appear, the official statements of the Western Union Co. show that their average receipt per message has been increased 11 cents, or nearly 20 per cent, since 1867, notwithstanding the undoubted reductions of tariff between important points. Whether this is due to the augmentation of rates between offices not reached by competition or to some other cause I do not know.

"Not only has competition thus failed to affect the great mass of the telegraphic business, but in addition there are evidences of a combination between the competing parties which has recently resulted in an advance of rates between points reached by the wires of both. The table (telegraphs, 5) gives a few specimens of rates in operation previous to and since the 1st of May, 1872, which were fixed by agreement between companies formerly rivals. The movement is perfectly natural, and from the companies' standpoint justifiable, for it can not be expected that a tariff which is perhaps highly profitable to one company will pay on a divided business the more than doubled expenses of two, even if the capital invested in the opposition system could afford to wait for its dividend until the lines were so extended as to secure a fair share of patronage."

The report then refers to certain abuses of the system, such as the improper use of telegraphic information, free messages, favoritism to customers, and the oppressive influence of telegraph companies upon newspapers. Referring to discussions in Congress upon the subject, the report continues—

"The considerations above noted have long appealed to Congress for the establishment of a postal telegraph. The importance of the measure has been urged from all points of view—by State legislatures, by boards of trade, by commercial conventions, by the independent press, and by private persons, many of whom have been prominently identified with the practical workings of the telegraph in this and other countries. The legislation of Congress, which had previously been confined to the liberal encouragement of the telegraph in private hands, was directed after the close of the rebellion toward its assumption by the Government as part of the Post Office Establishment. Strenuous opposition was manifested to this proposal. The reasons alleged against its adoption were principally—

"1. That the telegraph was essentially a private interest and should not be controlled by the Government, especially in a Republic.

"2. That under our political system a Government telegraph would be a dangerous instrument in the hands of the party in power, increasing its patronage and permitting it to scrutinize and delay the messages of the opposition.

"3. That Government management, though more expensive, would be less efficient, and that the public would not be so well served thereby.

"4. That the cost of the postal telegraph would be more than the finances of the country would permit, particularly if, as was claimed, it could not be made self-supporting.

"The first three of these objections were not deemed sufficient to counterbalance the advantages which the proposition offered. It was contended, and with effect, that the business of telegraphing was substantially the same as letter carrying, and that no reason could be advanced in favor of governmental management of the one which did not apply with equal force to the other; that the incorporation of the telegraphs with the post office would not at first add largely to the number of officials, and that the technical training and experience which these officials must have in order to perform their duties at all would preclude their selection for political reasons; that the simple precaution of timing the receipt, transmission, and delivery of messages would prevent their delay, and that their secrecy could be as effectually guarded by Government under restraint of law as it ever has been by private parties; that the same motives for efficient management exist on the part of salaried officials, whether in the employ of the Government or of a widely extended corporation; that the people could exert a much greater influence on a Government department, through Congress and through the press, than they can upon a company managed in the interests of its stockholders, notwithstanding the legal responsibility of the latter; that the consolidation of competing lines and the removal of the offices into the post offices would cause a large reduction in the expense of management; and that the employment of one staff for both postal and telegraphic service at perhaps two-thirds of the stations, besides further reducing the expenses would enable the department to pay better salaries than are now received by either class of employees, and secure greater efficiency. The fourth objection, supported as it was by statistics claiming to show that governmental telegraphs in Europe were not self-supporting, weighed strongly against immediate action on the proposition for a postal telegraph in this country."

Reference is made to the provisions of the telegraph act of 1866, leading up to the following statement:

"The time having now come, in my opinion, when the benefits of a Government telegraph should be secured to the people, it is desirable that advantage should be taken of the provisions of this act and the lines of some or all of the above companies brought under control of this department. The other objections to such a course having, it is believed, been fully answered, it only remains to be shown that the expense of acquiring a comprehensive system of lines can be easily borne and that the system, once acquired, can be so managed as to realize from the receipts of the telegraph itself sufficient, after meeting all expenses, to pay the interest on the purchase money, provide for all necessary annual extensions, and gradually to recover the principal, even at the greatly reduced rates which prevail in foreign countries. While the limited data at my command will not permit me to give detailed estimates, my information on the subject is sufficiently accurate to enable me to lay before you the following general plan. Before it can be elaborated, it is necessary that I should be authorized to appoint the appraisers provided for in the act of 1866, and, in addition thereto, that a commission should be appointed to consist of three members, conversant with the subject, to examine the different systems of telegraphy, and to prepare a scheme for submission to Congress with the report of the appraisers."

Mr. Creswell then states his views as to what is involved in the enforcement of the act of 1866, including the desirability and possibility of increasing telegraphic facilities, the possibility of a reduction in rates, the probable increase in business, the estimated revenue and expenditures and the necessity of a Government telegraph in time of war. He then discusses the proposed incorporation of "The Postal Telegraph Co.," presenting objections to the plan proposed, which contemplates the establishment of a telegraph company to work its lines in connection with the Post Office Department.

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REPORT OF POSTMASTER GENERAL CRESWELL, 1873.

Postmaster General Creswell, in his report for the year 1873, again reiterates his views on a postal telegraph, which are summed up in the following paragraph:

"The necessity for an efficient and cheap mode of telegraphic communication, which shall be beyond the control of private monopolies, and within the means of all, is daily becoming more apparent. Under the present management the use of the telegraph by the masses of the people is almost prohibited, by reason of arbitrary rates, unnecessarily high charges, and a want of facilities. This assertion is verified by the testimony of the president of the Western Union Co., who stated before a committee of Congress that, out of 40,000,000 of our population, only 1,000,000 use the telegraph at all. This is certainly an anomalous condition of affairs among a people the first in the world for intelligence and business activity. It may, however, be regarded as settled that, while under the control of private companies, whose chief object is to make a profit for their stockholders, and whose skill and labor are expended in efforts to advance the prices of their stock, and to enforce the highest rates to which the public can be made to submit, the telegraph will never become a general medium of correspondence. A Government postal telegraph is the only means by which the full advantage of this great invention can be secured; for, wherever the telegraph is under Government management, it is operated at its minimum cost, and the people receive the benefit in low rates of transmission and in greatly extended facilities."

He then discusses at some length the development of the telegraph and the possibilities of its development, and takes the position that there are but two parties to the controversy, "on one side the people, on the other the Western Union Telegraph Co.," and quotes the following from a report of the president of the Western Union Co., dated October 8, 1873:

"The scale of rates fixed by competition on the most important routes and between the principal cities has been applied recently to the whole country east of the Rocky Mountains, so that the inducement to subscribe capital for the extension of competing lines in order to secure the benefit of competing rates no longer exists. At the rates now established, it is impossible for any competing company to realize profits, and some of them are known to be, and all are believed to be, operating at a loss. As a result, the extension of competing lines has ceased, and it is not believed that capital can be found wherewith to inaugurate new enterprises in any quarter. The time is not distant, therefore, when the Western Union Co. will be without a substantial competitor in the conduct of a business which, notwithstanding the enormous growth of the last seven years, still is in its infancy. With the increase of lines already provided and now in progress, the capacity of which the duplex apparatus hereinbefore spoken of will be able to double at small cost, it is believed that the constantly increasing volume of business, the growth of which will be stimulated by the present low and uniform rates, can be successfully handled with a less annual investment in new construction than has heretofore been necessary; so that with competition checked and in process of being extinguished, the percentage of expenses may be reduced, and the patience of the stockholders be rewarded at an early day by the resumption of regular dividends."

After discussing the policy of the company, referring particularly to the frank statement of the president that the judicious use of complimentary franks among National, State, and municipal authorities has been the means of saving to the company many times the money value of the free service performed, Mr. Creswell concludes with the following:

"The telegraph should be made a part of the postal system without further delay. As Congress does not seem inclined to exercise the discretion given in the third section of the act of July 24, 1866, to appoint appraisers to value the "lines, property, and effects" of the companies now in operation, and as the Western Union Co. appears to be unwilling to make a voluntary sale at a fair price, I recommend that provision be made by law for the immediate establishment of the postal telegraph, and for the construction of all such lines as may be needed, under the direction of competent officers of the Engineer Corps of the Army. The experience they acquired during the War of the Rebellion would enable them to do the work in the most economical and satisfactory manner."

REPORT OF POSTMASTER GENERAL MAYNARD, 1880.

The matter of Government control of the telegraph system of the country does not appear to have been again discussed in reports of the department until the

report of Postmaster General Maynard for the year 1880. He refers to a visit to the British post office and to the success of the operation of the telegraph system by the postal service of that country, and inquires—

"Is it not time for us to renew the inquiry whether it is wise to leave this important instrument of correspondence in charge of corporations whose primary object is gain to the managers and stockholders, and the convenience of the public secondary only?"

REPORT OF POSTMASTER GENERAL. HOWE. 1882.

In the report of the department for the fiscal year ended June 30, 1882, Mr. Maynard's successor, Mr. Howe, refers to the consideration which was given in the past to the question by Postmasters General and committees of Congress, who have urged that the Post Office Department should take exclusive possession of the telegraph service, and states that he is forced to the conclusion "that the time has fully come" when the telegraph and Postal Service should be embraced under one management. In summarizing the arguments presented he states, among other things, the following:

"The business of the telegraph is inherently the same as that of the mail. It is to transmit messages from one person to another. That is the very purpose for which post offices and post roads are established. The power to establish is not limited to any particular modes of transmission. The telegraph was not known when the Constitution was adopted. Neither was the railway. I can not doubt that the power to employ one is as clear as to employ the other.

"If the union of the two services did not improve that of the telegraph at all, I think it would improve the Postal Service in some important respects. It would necessitate the employment of telegraph operators for postmasters in many offices. That would result in giving to the administration of not a few offices men who have learned to do one thing in place of those who have never learned to do anything. If the two offices were united, whenever a mail did not arrive on time the public thronging the post office would learn not merely that the mail had not arrived, but when it would arrive.

* * * * *

"But a union of the two services would, I believe, improve the telegraph more than it would the Postal Service.

"I prefer no accusation against the administration of the former service. Admitting it to be honest and efficient, the fact remains that it is not cheap, and under corporate control it can not be cheap. Rent for both services would cost but little more than the cost for one. So of fuel and of light. Where there is now a free delivery of mail, telegraph messages could be delivered at less cost by the post office than by a corporation. Besides, if the business was controlled by the Government there would be but a single management for the whole. The business is now charged with the cost of many different managements. One direction is cheaper than several."

Mr. Howe refers to the evil possibilities of continuance of the control of this facility by private interests, which would not exist if under Government control, and concludes with the following:

"It may be objected, and has been, that the measure proposed would largely extend the roll of Federal officials. That increase has doubtless been exaggerated. At a very large percentage of the offices the telegraph operator would not supplement the postmaster, but would supplant him. Besides, I know of no law but necessity limiting the employment of officials. The Government is not wise which employs a single officer not needed. It is unwise if it refuses to employ thousands when they are needed.

"Within the life of this generation this Government employed more than 2,500,000 officers. They were all armed. They did not destroy the country; they saved it. It is not difficult to find individuals who employ 1,000 men and find profit in it. It does not become 50,000,000 to shrink from employing 100,000 if they have need for their services."

REPORT OF POSTMASTER GENERAL GRESHAM, 1883.

The discussion of this subject by Postmaster General W. Q. Gresham, in his report for the year ending June 30, 1883, is particularly interesting, because he presents the legal phases of the subject, and concludes that Congress has

the constitutional power to assume control of the telegraph, either by the acquisition and operation of the existing lines or the construction of lines which would operate in competition with existing companies. The salient portions of his discussion are as follows:

"The subject of telegraphy in connection with our postal system is one of special and increasing interest. It has in all its aspects and relations been so fully discussed in the reports of this department, as well as in Congress and by the press, as to obviate the necessity of an elaborate presentation of it in this report. I may, however, remark that the impression widely prevails that our means of telegraphic communication should not be limited to such as are furnished by private companies which enjoy a monopoly and claim to be exempt from Government control in their relations with the public. Several substitutes for the present system have been suggested: (1) The acquisition and operation of the existing lines by the Government. (2) The construction by the Government of lines which it will operate in competition with existing companies. * * * (The portion omitted relates to a plan for the creation of a company which will supply lines of telegraph to be operated by the Government.) * * *

"I merely state in the most general form the leading features of each of these plans. It will be perceived that they are essentially different. The first two contemplate that the Government shall own and operate the lines, including all the necessary apparatus; and the third that a company shall be employed to perform the required service at a stipulated compensation.

"The Constitution confers upon Congress the power to 'establish post offices and post roads,' to regulate commerce among the several States, and 'to make all laws which shall be necessary and proper for carrying into execution' the expressly granted powers.

"The question arises whether, under such comprehensive terms, the proposed changes in the postal system are warranted by the Constitution. So far as the clause relating to post offices and post roads is concerned, the subject has received careful consideration by committees of the House of Representatives. In speaking of the modes of transmitting intelligence which have been introduced since the adoption of the Constitution, the Committee on Ways and Means, in a report submitted to the House more than 40 years ago, makes the following just remarks:

"'But though not anticipated or foreseen, these new and improved modes were as clearly within the purview of the Constitution as were the older and less perfect ones with which our ancestors were familiar. * * *

"'The same principle which justified and demanded the transference of the mail on many chief routes from the horse-drawn coach on common highways to steam-impelled vehicles on land and water is equally potent to warrant the calling of the electromagnetic telegraph in aid of the post office in discharge of its great function of rapidly transmitting correspondence and intelligence.'

"The Committee on the Judiciary of the House in 1875, in an elaborate report in which the constitutional provision is discussed with marked ability, reached the same conclusion.

"Our court of last resort, in *Pensacola Telegraph Co. v. Western Union Telegraph Co.* (96 U. S., 1, 9), holds as follows: 'The powers thus granted are not confined to the instrumentalities of commerce or the postal service known or in use when the Constitution was adopted, but they keep pace with the progress of the country, and adapt themselves to the new developments of time and circumstances. They extend from the horse with its rider to the stage coach, from the sailing vessel to the steamboat, from the coach and the steamboat to the railroad, and from the railroad to the telegraph, as these new agencies are successively brought into use to meet the demands of increasing population and wealth. They were intended for the government of the business to which they relate, at all times and under all circumstances. As they were intrusted to the General Government for the good of the Nation, it is not only the right but the duty of Congress to see to it that intercourse among the States and the transmission of intelligence are not obstructed or unnecessarily encumbered by State legislation?

"From the best consideration which I have been enabled to bestow upon the subject, I have reached the conclusion that Congress has the constitutional power in providing for the Postal Service of the country to avail itself of all the facilities devised by the inventive genius of modern times for transmitting messages and intelligence, and that it has full authority to adopt either of the first two plans which I have mentioned.

"The third section of the act of July 24, 1866 (14 Stat., 22), secured to the United States, at any time after the expiration of five years from that date, the right to purchase at an appraised value 'the lines, property, and effects' of any or all the companies which, in the mode prescribed, availed themselves of the benefit and privileges conferred by the act. All the leading companies have accepted the act. Independently, however, of its provisions, the United States Government, by the exercise of its right of eminent domain, has the undoubted authority to appropriate property within the respective States for its own uses and to enable it to perform its proper functions.' 'Such an authority,' says the Supreme Court, in *Kohl v. United States* (91 U. S., 367, 371), 'is essential to its independent existence and perpetuity.' In whatever mode the existing lines be acquired, full compensation for them must be made.

"From the earliest period it has been assumed, and in later times judicially determined, that the power of Congress over the postal system extends to the absolute prohibition of the business of carrying letters upon established post roads or roads parallel thereto. It therefore follows that if the telegraph be adopted as a branch of the postal service, all competition therewith may be prohibited.

"The commerce clause of the Constitution, so far as it bears upon this question, remains to be considered. It has been determined by the Supreme Court that the telegraph is an instrument of commerce, and as such is subject to the regulating power of Congress. 'A telegraph company,' says the court in *Telegraph Co. v. Texas* (105 U. S., 460, 464), 'occupies the same relation to commerce as a carrier of messages that a railroad company does as a carrier of goods. Both companies are instruments of commerce, and their business is commerce itself. They do their transportation in different ways, and their liabilities are in some respects different, but they are both indispensable to those engaged to any considerable extent in commercial pursuits.' That clause does not, however, authorize the regulation of the business of transmitting messages by telegraph between points wholly within a State.

"The establishment and operation of a postal telegraph as a monopoly or in competition with private companies would, it is insisted, reduce rates which are now exorbitant and protect the public against the abuses and evils deemed to be inseparable from the service as it exists. In either event an enormous expense must be incurred. But without dwelling upon that consideration, it is clear that an efficient execution of either plan will necessarily involve the employment of a multitude of operators, messengers, mechanics, and laborers, and thus largely add to the patronage of the Government. An increase of that patronage beyond what is indispensable to the public service is to be deprecated and avoided, and it is one of the dangers which threaten the purity and duration of our institutions. In Europe the telegraph is under the control of the public authorities. With us the administration is the Government in action, and may, for the time being and for all practical purposes, be considered the Government itself. In seasons of political excitement, and to some extent at other times, is there not ground for serious apprehension that the telegraph, under the exclusive control of the dominant party, might be abused to promote partisan purposes and perpetuate the power of the administration? But if it could be kept entirely free from such influence, I should hesitate to sanction a measure providing that the United States shall become the proprietor of telegraph lines and operate them by its officers and agents.

* * * * *

"As to telegraphic service wholly within the several States, unless the power to establish post offices and post roads be successfully invoked, the existing rates are beyond governmental control. The opinion has been advanced that inasmuch as Congress has authority to take charge of the telegraph as a part of the postal system, it may do nothing in that direction and yet prohibit citizens and private companies from engaging in the business, unless they comply with prescribed terms and conditions. It is said that the greater power necessarily includes the less; or, in other words, that the absolute power to prohibit includes the limited power to regulate. This doctrine has evidently no application. It is only by exercising the power in some of the modes already discussed, or in some other appropriate way, that the Government can prescribe terms upon which competition will be permitted or prohibit it altogether. When a line is neither owned, controlled, or operated by the Government, nor in its behalf, a telegraph company in the transaction of so much of its business as is confined within the limits of a State is beyond the reach of Congress.

"I have endeavored to maintain the authority of Congress to assume control of the telegraph because it has been and still is seriously disputed. The existing companies operate their lines solely for the purpose of making money, and while it is doubtless true that their rates, as a whole, are unreasonable, yet in view of what has already been said, I do not think the evils complained of are so grievous as to call for congressional intervention."

BLIL AND ARGUMENTS OF SENATOR HILL IN UNITED STATES SENATE, 1884.

One of many bills introduced from time to time in Congress in the attempt to overcome the legislative inertia on the subject of postal telegraph was that presented on January 14, 1884, by Senator Hill of Colorado. Senator Hill's bill provided for the establishment of a system of postal telegraphs in the United States, and in supporting it he said that Governments everywhere had undertaken the management of the telegraph business and that—

"In performing it they mainly act as agents of society, for the promotion of its happiness and prosperity, and not for their own aggrandizement. Even the direct raising of revenue is no longer a prime object, but only an incident of the service. The limits of political boundaries which confine the other functions of government have been by mutual consent broken over by the postal system, and it is now operating as a mighty force to bind together in amity the nations of the world. Upon Governments considered as mere instruments for the preservation of the peace the effect of cheap and frequent postal communication has been to bring the people into closer relation, thus diminishing the chances of foreign and domestic troubles, and to make more easy the maintenance of their ordinary powers by stimulating and giving greater play to the productive forces from which the revenues to support these powers must be provided."

He pointed his opinion that Government supervision of the telegraph would result in great benefits by a reference to the enormous increase in the postal business in this country and in Great Britain after a reduction in the rate of postage and the consequent quickening of commerce and business as well as the brightening of the ties of social life.

The Senator stated that the direction of the first system of postal communication in this country was assumed by the Continental Congress in ordinances which declared its functions to be "the communicating intelligence with regularity and dispatch from one part to another of these United States." And by the Articles of Confederation the power of "establishing and regulating post offices from one State to another" was expressly committed to Congress. Although post roads were not mentioned in the Articles of Confederation, the power to establish them was necessarily presumed, and by the act of October 18, 1782, an extended system of postal communication was put in operation. In the first draft of the Constitution there was a clause "Congress shall have power to establish post offices," but the words "and post roads" were added by a vote of the majority of the State delegations, and the amendment was afterwards unanimously concurred in. In the first permanent act of Congress "to establish post offices and post roads within the United States," passed February 20, 1792, provision was made for the Postal Service "in packet boats or vessels passing by sea to and from the United States or from one point to another therein." The act of February 27, 1813, authorized the Postmaster General "to contract for carrying the mails of the United States in any steamboat or boats which are or may be established to ply between one post town and another post town." Penalties for the nondelivery of the mails within a certain time by persons employed on such boats were provided by the act of February 27, 1815, and by the act of March 23, 1823, it was enacted—"That all waters on which steamboats regularly pass from port to port shall be considered and established as post roads, subjects to the provisions contained in the several acts regulating the Post Office Establishment."

Senator Hill cited various other acts as evidence of the power of the Government to designate different methods of transportation as post roads.

In connection with the effort of the Government to acquire land in Cincinnati, Ohio, for the erection of a Federal building, the Supreme Court, to whom the matter was brought, ruled—

"When the power to establish post offices and to create courts within the States was conferred upon the Federal Government, included in it was authority to obtain sites for such offices and for courthouses, and to obtain them

by such means as were known and appropriate. The right of eminent domain was one of these means well known when the Constitution was adopted and employed to obtain lands for public uses. Its existence, therefore, in the grantee of that power ought not to be questioned." (*Kohl v. The United States*, 91 U. S. R., 372.)

Senator Hill claimed that under this ruling there was no doubt that the courts would hold that the Government could acquire lands in the respective States to enable it to establish post roads in the States, even if it should be decided to designate telegraph lines as post roads. He stated that a reduction of telegraph rates under Government ownership would prove of inestimable value to the great mass of people who are unable to take advantage of it at present, due to the high rates charged. He called attention to the fact that if there was such a large increase in business in most of the foreign countries (where the distances are short) upon a reduction in rates, the amount of business in this country would be proportionately larger, due to the greater distances and the subsequent saving in time by the use of the telegraph.

REPEATED ATTEMPTS TO SECURE LEGISLATION.

The attempt of Senator Hill to secure the desired legislation was unsuccessful, as have been some two dozen similar attempts since 1871. At least three-fourths of these bills have been favorably reported on by House and Senate committees.

REPORT OF POSTMASTER GENERAL WANAMAKER, 1889.

In 1889 Postmaster General Wanamaker, in reporting on an effort to secure reduced telegraph rates for the Government, says:

"At the same time the Postmaster General sought consideration, first, for an exceptional rate for the department messages believed to be warranted by the rates to others and the assistance rendered by the Government to the telegraph companies under the act of 1866; and second (incidentally and not connected with the subject of fixing rates), he endeavored to obtain consideration for a proposition to establish, not for Government business but for the people at large, a limited service at lower rates, using the post offices, stations, and ordinary deliveries of the post offices, according to a plan to be prepared for submission to the Fifty-first Congress. The idea was to connect the telegraph wires with all the free-delivery offices and to take messages at or about one-half the current rates, delivering by letter carriers by regular deliveries.

"With no other liability for telegraphic messages than that for the ordinary mail; with no necessity for booking messages, or auditing and keeping cash accounts; by using postage stamps in payment as for letter postage, the cost of the service would be reduced and the rate could be fairly reduced on telegraphic messages. The delivery of such telegraphic messages in another city on the day they originated seemed to me to offer an accommodation that vast numbers of people would avail themselves of, especially for communications of a social and family nature, if the service could be performed at lower rates. The equipment of the post offices seemed to be all ready to do this cheaper service.

"The negotiations were not fruitful, except in a general public discussion of the subject of telegraphy."

Mr. Wanamaker then states how he arrived at the rates fixed and submits correspondence with the telegraph companies which contains valuable information applying to conditions existing at that time. Continuing his report, Mr. Wanamaker says:

"I confess to a disappointment in that the negotiations with the Western Union Telegraph Co. did not lead to a scheme which I hoped to submit with this report for your approval, whereby the people at large could have the benefit of telegraphic service at popular rates. It is stated that merchants, bankers, and newspapers are now the principal customers of the telegraph companies in this country. The statistics of the telegraphic system of continental countries show that a large proportion of the customers (50 per cent is stated by some persons) are family and social messages, and not from business sources. With a lower telegraphic rate and with stations at the windows of the post office, to which ladies are accustomed, an entirely new class of business would

grow up, affording great convenience to many not now in the habit of using the wires. The telegraph is defined to be 'an instrument for conveying intelligence beyond the limits of distance at which the voice is audible.' This definition would apply equally to the post office, and is, in fact, the object for which the post office was established."

"The great propriety and advantage of a united service can not be questioned from a point of convenience and economy to the people. There is no reason whatever why the night messages of the telegraph companies should not be delivered as postal matter by the first morning delivery of the carriers. This is proper post-office business, and would add to the profits of the department. The vast network of wires covering the country could easily reach many of the village post offices and benefit more people than by stopping at the railroad stations, which are often a mile or more distant from where the people live. An experiment could be easily and quickly made to ascertain whether the demand for cheaper telegraphic service exists as is claimed. It could be done without any outlay of money by the Government, and with no interference with existing telegraph interests, inasmuch as it would create, as stated, a new class of business. Moreover, many people becoming acquainted with the uses of the telegraph would wonder how they ever managed to get along without it, and would find themselves using the swifter service as well as the limited, and financially guaranteed messages would continue to be confined to and carried by the existing corporations.

"A contract should be made with telegraph lines now in operation or that may be hereafter built, under advertisement and public bid, at the most favorable rate that can be obtained in the same manner as the Post Office Department now contracts with railroad companies for the carrying of letters and postal cards, connecting the wires with free delivery and other designated post offices, and receiving messages to be delivered in each instance at the next carrier delivery after their receipt in the city to which they are sent. Some of the free-delivery offices deliver mail ten times a day, some six, and few less than four. A Washington message to New York or Boston, announcing that the sender is leaving by train and is to be met at the station, or any kind of message which will be in season if delivered the day of starting, would fall into one of several regular deliveries at the office connected by telegraph in the other city. The slower service would answer all purposes for numbers of people. No additional expense is required for office or clerk hire. One expert telegrapher could be selected when the postal clerks are appointed. If there was sufficient telegraphic business wholly to employ one man's time, so much the better. A clerk could be assigned for this particular work and the service would be that much more likely to be profitable. Repeating the fact of no other responsibility in this limited telegraph bureau than that for ordinary mail; no expensive system of copying and recording by using postage stamps for payments; no cash accounting needed—the low expenses would justify low rates for the people's benefit. It is believed that a rate of 1 cent a word would make a self-sustaining service and in a short time be a source of profit. If each money-order office sent but three messages per day there would be 27,000 messages, which would be a good business. Connecting the money-order offices by wire, payments of money could be telegraphed by private code to various points free, or at a trifling cost, and add to the convenience of many people.

"I respectfully ask that such legislation be enacted as is necessary to empower the Postmaster General to enter into contract with responsible parties for a term not exceeding five years, with a privilege of renewal, on conditions favorable to the Government, for the purpose of establishing a limited post and telegraph service."

REPORT OF POSTMASTER GENERAL WANAMAKER, 1890.

In 1890 Mr. Wanamaker again urges the control of the telegraph by the Post Office Department through contracting with telegraph companies to furnish lines, instruments, and operators, and to transmit messages at rates fixed by the Government, all of which would go to the contracting company except 2 cents per message, which would be retained by the Post Office Department to cover the expense of collecting and distributing. He argues that the people have the right to the use of the plant of the Postal Service as a means of reducing the cost of telegraphic correspondence and for the instant transmission of postal money orders, and in answer to certain objections to Government control of the telegraph, says—

"Certain limited classes are against this consolidation, but the masses of the people are strongly for it. It is not possible to take an accurate census of those favoring or opposing it, but any disinterested person may discover the trend of feeling that has set in. That man must be willfully blind who does not see the vast and rising tide of public sentiment against monopoly. Here is a purpose of the people, and no man or set of men can turn it aside. In one form or another the public imperatively demands cheaper telegraphy, and the Post Office Department can supply it at less cost than any corporation, unless the latter has rent, light, and fuel free, and carriers and clerks without pay. It has been argued that it is not the business of the Government to operate the telegraph, but the Government of this and every other country controls the mail service and stoutly claims that the general welfare is promoted by managing the transmission of correspondence. In pursuing that object it puts on mails at great cost, cheapens postage, and constantly adds facilities for ready communication. The general welfare will be similarly promoted by going one step further and giving the quickest of all modes of communication, namely, cheap telegraphic facilities, as it does mails, at points not profitable for private capital to reach, as well as at all other points. If mails were only run to self-sustaining or profit-making points, the extent of the service would be cut off 40 per cent. The postal system is not a scheme for profit. If it were, newspapers and books would pay their proportionate cost and either a large annual surplus would appear in these reports or the free delivery would be extended universally. The Postal Service is the Government's kind hand, protecting and promoting the correspondence of its people, and communication by telegraph as well as by mail is essential to its best development.

"An objection urged by the above-referred-to class of persons against the assumption of any telegraph business by the Government is that the telegraph would be in the hands of the party in power and liable to corrupt use in times of political excitement. This is more specious than sound. The Postal Service is in the hands of the party in power and liable to the same abuse. Stringent laws and penalties hedge around the postal system, jealous eyes watch it, and it is ever open to public observation and inquiry. The telegraph business, in the hands of private individuals, is not so hedged about and it is much more likely to be used for corrupt purposes.

"Another specious objection is that the Government ought not to compete with existing companies. But the people have rights and interests as well as the telegraph companies. In 1866 it was proposed to assume control of the telegraph lines; but it was then held by these companies that they should be permitted to realize some profit on their investments, and by act of Congress five years were allowed for that purpose, since which time the people have paid rates (in many cases and at many points excessive) that have earned over \$100,000,000, which has been divided among stockholders or added to telegraph plants. The companies have been permitted to enjoy these valuable franchises for a quarter of a century instead of five years. Even now it is not proposed to take these properties out of the hands of their owners, but to open to them and to the public the privilege of bidding for telegraph service on a modified scale, which will not, it is practically certain, interfere with the service now existing.

"It is sometimes maintained that the telegraphic service can be performed more cheaply by private hands. If this objection is good, it holds against all kinds of Government work. The public revenue ought to be collected by private hands. The laws ought to be administered by contracting parties. A banking firm ought to manage the Treasury, and the postal business should be handled by a syndicate. The question is, What is the best and safest for the public interest, as well as what can the general public afford to use? No one believes that the mail service would have been so widely extended by any private corporation that had to pay dividends to its stockholders. One-cent postage would never come if the post-office business were in the hands of a money-making corporation. It is for the interest of a private company to extend its business only so fast and so far as it is profitable; it is the aim of the Government to extend its service wherever it is actually needed. These further objections are made: Large outlays of money and an increase of Government patronage. Both fail to the ground, because, under the plan proposed, it is not intended to buy or build telegraph lines but to contract with existing companies, or such as may hereafter be established; and such contracts would provide not only telegraphic lines but instruments and clerks to operate them,

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except at small offices, where the postmaster or one of his clerks would also be paid by the telegraph company to act as operator. Therefore, there could be no drafts on the Treasury or additions to the civil list, except as the general service grew, and it is growing every day now. The contracting telegraph company would furnish lines, instruments, and operators, and transmit the messages at rates fixed by the Government, all of which would go to the company except 2 cents per message, which would be retained by the Post Office Department to cover its expense in collecting and distributing.

"In brief, this is the plan proposed. There would be no outlay of money, no appointment of clerks, and no financial liability. The persistent misstatement of the facts at the outset led to some misunderstandings on the part of a small portion of the public. The actual plan is surely entitled to a just statement and a fair consideration. If there is a better one it will be quickly discovered and adopted. Many boards of trade, chambers of commerce, and trade and labor organizations throughout the country have, during the past year, passed resolutions demanding postal telegraph in this or some other form. The subject was considered by the Committee on the Post Office and Post Roads of the House, but was not acted upon beyond granting hearings to the parties interested. The Committee on Post Offices and Post Roads of the Senate reported the bill unanimously.

"A few facts from the last official report of the postmaster general of Great Britain, dated August 11, 1890, controvert the somewhat accepted opinion that the English system of postal telegraphy is a great expense to the Government and a failure. The increase in the number of inland and foreign telegrams was 8.5 and 8.1, respectively. The number of telegrams on the business of railway companies, transmitted without charge by the post office under obligations incurred when the use of their system was acquired by the Government, increased nearly 17 per cent. Press telegrams are transmitted at very low rates and at considerable loss to the revenue. In spite of this free and losing business, however, the English postal telegraph was practically self-supporting in 1887-88, showed a large profit in 1888-89, and cleared over \$500,000 in 1889-90. This, to be sure, is making no charge for interest on the outlay; but it may be answered that the full interest on the cost of the plant can not be fairly charged to the expense account, because, as is universally admitted, the Government paid an excessively high price for the old telegraph lines.

"The relation of the receipts and expenditures of the English system during the past three years is given in the following table:

Year.	Receipts.	Expenditures.
1887-88.....	£1,992,949	£1,999,033
1888-89.....	2,129,965	2,041,361
1889-90.....	2,367,836	2,262,310

"It is to be observed that the business of the English newspapers, as well as the foreign, railway, Government, and ordinary business, was done, and done acceptably, though at a loss to the revenue; and it may be repeated that this real Government-telegraph system, in spite of its large free and under-cost business, pays its way, leaving a gradually increasing surplus to be applied to interest account on the investment, which is unusual in Government works. The telegraph scheme which I advocate could never fail to pay its way from beginning to end, because the very fact that a postal-telegraph stamp had been put upon a telegram would imply that the expense of collecting, transmitting, and delivering the telegram had been paid in advance. The limited plan, in other words, collects as it goes for exactly what it does. To draw another parallel from the English system, which is necessarily not so free from the red tape of Government control as the contract scheme would be in this country, it may be pointed out that the general telegraph business, whether commercial, social, or press, could be handled more expeditiously than under the present entirely private system, because the delay in accounting would disappear with the advent of the postal-telegraph stamp."

REPORT OF POSTMASTER GENERAL WANAMAKER, 1891.

Taking up this subject again in 1891, Mr. Wanamaker urges Government control of the telephone system, as well as the telegraph system, and deals

particularly with reference to the objection that such course is unconstitutional:

"The Federal Constitution declares that Congress shall have power to establish post offices and post roads. (Const. U. S., art 1, sec. 8.) The general interpretation of this has been that it not only confers the power but makes it a duty, to establish a suitable and efficient postal service throughout the country, and while it holds a monopoly of the postal service it is bound to adopt all the means that invention and experience have discovered to transmit intelligence between the people. The Hon. Walter Clark, associate justice of the Supreme Court of North Carolina, in an admirable paper addressed to me some time ago on this subject, to which I am indebted for several suggestions or quotations that follow, says in substance that nothing in this clause of the Constitution restricts Congress to the use of particular methods.

"The framers of the Constitution, when they instituted the Postal Service, probably never dreamed of postage stamps, registered letters, free delivery, railway post-office cars, canceling machines, and the modern conveniences in use to-day to dispatch the mails. All details were left succeeding generations to work out according to the needs of the times. Who could suppose that mails in this age might go entirely upon horseback or by coach, as they did 100 years ago? The man who attempted to manage a large business to-day by the old methods would be bankrupt in a short time. Sir Rowland Hill proved in England that cheaper and uniform postage was feasible. Thereafter similar measures were approved by Congress for this country. Steam came into use as a motive power, and Congress quickly ordered it to be employed as an agency of the Postal Service. Every other improvement that appears is favorably considered and applied if practical to the postal work.

"The one potent agency and the only one that remains beyond our reach is electricity. Its practical value has been known for half a century, but the department stands in relation to it where it stood 50 years ago. The business of the entire world is to-day so dependent upon electricity that its withdrawal would seriously affect almost every interest that exists; yet the chief servant of all the people, the post office, which by its equipment is able to make the largest and most beneficent use of it, is so limited in its authority that it can only adopt the slower methods and a man out of money in San Francisco must stop six days and pay \$10 board while he waits on the mail to bring a \$20 money order from New York. The reason is known to all men.

"To say that Congress has refused to sanction its use in the Postal Service because such an act would be unconstitutional is not true. From many pages of legal authorities the contrary appears. The clause of the Constitution is understood to be mandatory upon the National Government to provide a postal service, since in the face of that provision neither of the States, corporations, or private companies may do so. Therefore, it might be more truly said that it is unconstitutional for the Government not to adopt, in the fulfillment of its duty to the people, the best modes of transmitting correspondence that appear in each age.

"The first telegraph was operated by the Post Office Department, and it was an evil hour for the people when, against the protest of the Postmaster General, it was surrendered. I want to see the two great servants for the people—the post office and the telegraph—reunited, and the telephone brought in to enhance the value of the combination. Public interests, private needs, and the popular will call for these agencies to perfect the great postal system of this country. The longer their employment is delayed the greater the aggravation and injustice to the people, and the costlier it will be to secure them. Sixty-four million of people are taxing themselves to-day, and to the amount of \$70,000,000 annually, to maintain the post-office plant, and are denied the right to vitalize this magnificent machinery with the mightiest force which science has given to render that machinery most effective.

"It is a surprise to other great nations that America should lag behind in a form of enterprise that is no longer an experiment, and a cause of remark that the people do not rise up to demand cheaper telegraph, through the convenience and economies of the Post Office Department. Great Britain and Ireland enjoy a rate, uniform like postage, of sixpence for 12 words to any distance. Germany has about the same rate, and in Austria the rate is lower. In France and Belgium the rate is under 10 cents (half a franc) for 10 words, between any two points; and at these rates it is said the telegraph is a profitable adjunct to the postal system.

"Is it creditable to our statesmanship to support the Postal System at such large expense and fail to use it at its full capacity when other nations have utilized this agency for the benefit of the people with such signal success? To ascertain that the people want it one only has to ask the first 100 intelligent men he meets to find an almost unanimous demand for cheaper telegraphy. Every new settlement in our distant Territories, every extension of the boundaries of our growing cities, every increase in the trade and commerce of the country make the telegraph more and more indispensable to the people in cheaper messages of few words for the poor, who sometimes have need for messages of anxious affection or urgent affairs and in messages at present rates, but of twice as many words, for the rich, who are conducting business enterprises. For the quick transfer of money from money-order offices it is imperatively necessary.

"The electric current belongs to the people by right and is bound to become their servant, not of a class, nor of one sixty-fourth part of the population, as at present. So soon as the post office can blend it with its own system, and use its own forces already under pay, telegraphic rate will be reduced. Most adroit opponents of postal telegraph couple with it a like regulation of the railroads, but the Government already employs the railroads as post roads, and the form in which it is proposed to contract with telegraph companies is precisely the same as that by which we have employed railroads ever since they were built. The business of the railroad is to carry freight and passengers, which is foreign to the purposes of a post office. This is not true of the telegraph or telephone, both of which, by their very nature, are limited to the service of cheap and rapid exchange of communication between the people, and this is what the post office was founded for.

"To propose to include in the problem the transfer to Government ownership of bake shops or breweries or anything else is an attempt to conceal the real issue, unless it can be shown that such agencies are necessary to enable the Government to perform its constitutional functions. Any argument that can justly be made against the union of the telegraph with the post office applies with equal force against the administration of the post office itself by the Government.

"In the very nature of things, if the post-office work were turned over to-day to any monopoly operated for private profit, there would be hundreds of large sections of the United States deprived of post-office facilities altogether to save the enormous expense now incurred in reaching the remote points. The postage between large cities would be afforded at present rates, but in all the country districts postage rates would advance, and rise higher and higher, according to distance from railroads. Who would choose to go back to the postal system of long ago? Why should we meekly suffer a telegraphic system based on similar principles? Without restating the arguments in my former reports, which I still consider unanswerable, in favor of bringing the telegraph and post office together. I reaffirm them all with increased emphasis, and upon the same lines, and add, further, my belief that the time has come to join to the post office the use of the telephone.

* * * * *

"In America in 1870, 10,646,000 telegrams were transmitted, or about one to every four of the population. Under the corporate system fewer telegrams were sent in England than in America, but after the union of the telegraph with the postal service the number rapidly increased, and now nearly twice as many are sent in England as in America in proportion to population. In the year 1884-85, 33,278,000 telegrams were transmitted in Great Britain; in the year 1890-91, 66,400,000, an increase of 100 per cent in six years. In America, in 1885, 42,096,000 telegrams were transmitted; in 1891, 59,148,000, an increase of only 40 per cent. Now, contrast the business of the post office of the two countries during the same time. The increase in the number of letters and pieces transmitted in our post office was 1,718,728,895, or 65 per cent; in Great Britain the increase was 616,310,383, or 31 per cent.

"The growth of the telegraphic business in America is much less rapid than the postal service, or the railroad or steamships, or any other large public business. The reason is evident, for the telegraph is the only public business carried on by private parties without competition, unless the telephone should be considered public business. There is more need of the telegraph in America than in England, as our population is more widely dispersed, and its value depends on the time gained over the mail. In England it is reckoned by minutes, but the rates are so low that its use is general, and it is rapidly increasing.

In America the time saved is counted by hours and days, but the rates are so high that it is used mainly by speculators. The growth of the telegraph is much less rapid than in England.

* * * * *

"There are about 64,329 post offices in this country and 20,098 telegraph offices, a large proportion in railroad stations remote from business centers where the service is performed by railroad officials. The business of the post office and telegraph depends largely upon the facilities offered to the public. Where there is neither post office nor telegraph office there will not be any correspondence to speak of. Give the same community proper facilities and a large correspondence will develop. In England the telegraph offices are accessible to the people. In America the average distance to telegraph offices from the post office is about 7 miles, as proven by recent reliable reports. If each of the 64,329 post offices transmitted only three telegrams a day it would amount to 70,000,000 a year, or nearly 20 per cent more than are now sent. The larger proportion would be in addition to those now sent, for a new business would be created by the new facilities. Who can doubt that on an average four telegrams would be sent per day from these offices?

"Over seven times as many messages are sent to-day as were sent 22 years ago, and yet the population has not nearly doubled. Many petitions were presented to the last Congress in favor of a postal telegraph, and but very few in opposition. Many newspapers believe that they are dependent upon the Western Union Telegraph Co. for news and naturally oppose the postal-telegraph system, but a larger number of papers of lesser circulation favor the postal-telegraph system. It is emphatically a measure of the people and for the people, and is not and has not and can not be made a party measure.

"The union of the two systems has been advocated at different times by Postmasters General of each of the two great political parties. A bill providing for this union unanimously passed the Senate Committee on Post Offices and Post Roads at the last session of Congress, and though the bill was defeated in the House committee there was no division on party lines.

"The rapid transmission of correspondence is a part of the business and proper duty of the Post Office Department, and it does not fulfill its functions or perform its full duty until it operates the telegraph, the most rapid means of transmission of intelligence. The press is more deeply interested in the union than the people, because it is dependent in large measure for telegraphic news."

REPORT OF POSTMASTER GENERAL WANAMAKER, 1892.

In the concluding report of his administration as Postmaster General for the year ended June 30, 1892, Mr. Wanamaker, beginning with a reference to a statement made by Hon. Cave Johnson, Postmaster General in 1846, again urges the adoption of his plan to contract with some telegraph company to connect post offices by telegraph, commencing with the most important offices and proceeding gradually in the order of probable usefulness, reducing the cost of telegrams by the use of post-office buildings, the use of telegraph stamps, the collection of messages in street or house boxes, and the delivery by carriers, contracting with the company to perform service with its own operators for a fixed sum per message which the department would charge the people, adding a 1-cent stamp for local delivery and a special-delivery stamp when instant delivery is desired. He advances no new argument, but makes the following significant statements which closely approximate, if they do not describe exactly, the conditions existing to-day:

"It was said long ago that the telegraph must be a monopoly, and so is the postal system; but the difference is that one is operated for private gain and the other for the public good. The Government follows a settler across the plains and into the mines, and establishes a post office in order that his family may have letters and newspapers and be more content in a frontier home. The telegraph goes where it can find paying business only; and so it falls out that only a sixtieth part of the people of the United States, owing not to the need but to the inconvenience and the charges, employ the telegraph. The post office helps to settle, serve, and satisfy the country—literally to make the country, and of all its adjuncts the most important—that which would afford the quickest mode of communication between families near and far—apparently can not be made available in any way.

"The fact is that in some respects the telegraph seems to get farther and farther away as capital and power of the great corporation increase. Many

telegraph companies have been established from time to time, but to-day there are but two independent companies. All but one have been in some form identified with the one corporation, and the one to be excepted, that is not yet known to have surrendered, is admittedly operated in concert with the other by joint traffic agreement. Practically, so far as the public is concerned, there is but one telegraph company, and however ready parties might be to invest capital in a company to erect lines and contract with the Government for a low-rate limited postal telegraphic service, the fear of bankruptcy by reason of such formidable opposition debars all such enterprises. It is not alone the powerful syndicate of owners of the telegraph company that must be met and persuaded, but there are other interests connected with the telegraph business that stand out against all measures looking to a telegraphic service in any form by the Government."

Mr. Wanamaker quotes from the annual report of this corporation for June 30, 1892, and makes the following comment:

"This enormous business, producing gross revenues nearly one-third as large as the entire revenue of the Post Office Department, increases every year. Last year the increase was \$672,078, and each year the amounts added to the surplus make the property more and more valuable, as there will probably be stock dividends in the future as in the past. I am pleased to have the company's official statement proving that the agitation for postal telegraph has not, as some argued, impaired the value of 'vested rights.'

"All these facts are stated here for two reasons:

"(1) To show the growing power and increasing independence of the rivals of the Post Office Department in the messages-carrying business.

"(2) Respectfully to suggest the propriety of an inquiry into the cost upon which the telegraphic charges are based, in the interest of the people who expect the Post Office Department to treat all questions that concern correspondence."

He then discusses the possibility of reducing the rates, and says:

"The increase of business on lower rates would be so large that the profits of the telegraph company, in my judgment, would not be diminished. It can not be questioned but that the Government, by reason of what it would save in the use of existing postal machinery, could easily by this time have offered much lower rates than the present telegraph charges if it had continued to operate the lines it began. The people think much more about these things than they are commonly supposed to, and they are restive under conditions which they feel that the Government should change. As early as 1844, Henry Clay was advocating ownership of the telegraph. He wrote:

"It is quite manifest it is destined to exert great influence on the business affairs of society. In the hands of private individuals they will be able to monopolize intelligence and to perform the greatest operations in commerce and other departments of business. I think such an engine should be exclusively under the control of the Government."

DISCUSSION OF POSTAL TELEPHONE BY POSTMASTER GENERAL WANAMAKER: 1891 AND 1892.

Mr. Wanamaker was the first Postmaster General to advocate Government ownership of the telephone service. In his annual report for 1891 he included the following statement:

"A year from next March the telephone patent expires, and unless Congress acts promptly to authorize its adoption for communication among the people, it requires no stretch of the imagination to believe that in the next two years one immense syndicate will unite and control all the hundreds of telephone plants of the country, as the telegraph is now controlled, or the two will be united, and then for the next 20 years the most astute attorneys will be legitimately earning large salaries in indignantly opposing the so-called attacks of future Postmasters General upon defenseless vested rights.

"One-cent letter postage, 3-cent telephone messages, and 10-cent telegraph messages are all near possibilities under an enlightened and compact postal system, using the newest telegraphic inventions. The advantages of tying the rural post office by a telephone wire requiring no operator to the railway station must be obvious. The benefits arising from telephonic connections with the post offices will easily suggest themselves in a hundred ways to those who want the entire people to share in common privileges. The rural population would be the greatest gainer. A telephone message from the post office to the railroad

station miles away to ascertain if expected freight had come would save the farmer many a needless wagon trip over bad roads; news of approaching frosts could be promptly spread over the country districts and fruit-growing regions, and many a valuable crop saved.

"The day's market price for cattle and grain and wool and produce may be obtained by the farmers direct by inquiry from others than by the buyer who drives up to the farm in his buggy. All these may seem homely purposes to dwellers in cities, but country life would lose some of its drawbacks by the extension of such facilities to those who bear their full share of the burdens of the Government, and receive, in postal respects at least, less than their share of its benefits.

"It is not chimerical to expect a 3-cent telephone rate; the possibilities of cheapening the management of these new facilities are very great. All account-keeping could be abolished by use of stamps or 'nickel-in-the-slot' attachments. Collection boxes everywhere in the cities, and many places in the country towns, would receive telephone and telegraph messages written on stamped cards like postal cards. Old soldiers and others could find employment as collectors, and frequent collections would abolish the present expensive messenger-boy system, that adds 2 cents to the cost of 90 per cent of city telegrams. In New York City alone there are 33 collections from letter boxes every day, and at certain hours in the most thickly settled part of the city the letter boxes are emptied every 10 or 15 minutes.

"The delivery by letter carriers held to strict account would also be an improvement over the present system of messengers, who rarely hurry except in pictures. Who has not lost a train or missed meeting a friend by a message that started in ample time being delayed in delivery? The system recommended would not forbid private telephones or telephone exchanges in cities any more than it would exclude the use of the telegraph by railroads having their own lines. The plan contemplates only the convenience of the people in the use in common of their own post offices as the neighborhood station for telephoning and telegraphing. They have a right to claim this, as not a penny of additional expense is necessary for rents, heat, light, or attendants for telephonic service.

"For telegraphing only an operator is needed when business justifies it, otherwise a telegraph message would be forwarded by phone to the nearest telegraph station."

Postmaster General Wanamaker refers again to his recommendation for a postal telephone in his report for the fiscal year 1892:

"I pointed out in my last report that the telephone patents expired in March and that we should then probably see combinations and monopolies, as with the telegraph. Considerable discussion has resulted. It has only been equalled by the onslaughts on the other and many have found pleasure and logic too, as they suppose, in denouncing one and not the other.

"At the small and suburban post offices electrical communication should be established with other post offices and with telegraph offices. Numberless advantages for local as well as distant service occur to anyone. Weather reports would be spread, announcements of meetings heralded, physicians called, and countless errands done. The use of the telegraph would be greatly increased; so with the use of the telephone. And with it all the volume of the mails would grow, and what is more, the Postal Service would really be fulfilling its constitutional purpose of transmitting intelligence."

REPORT OF POSTMASTER GENERAL BISSELL, 1893.

The disastrous financial panic of 1893 and the consequent depression was reflected the following year in the annual report of Postmaster General Bissell, who took a conservative attitude and deprecated not only the acquisition by the Government of the telegraph service, but any new departure in the extension of the Postal Service. So impressed was Mr. Bissell with the need for retrenchment that he formulated the following argument, well calculated to convince a people just emerging from the greatest economic catastrophe since the Civil War:

"The suggestion has been made so frequently in recent years that the Government should provide and maintain a telegraph system, which, if adopted, would naturally make it a part of the Post Office Department, that I have given the subject considerable study.

"In its favor it has been argued that the business of the telegraph is inherently the same as that of the mail, to wit, to transmit messages from one person to

another; that it could be conveniently annexed to the Post Office Department because of the latter's already existing organization of offices, free delivery, special carriers, and general officials, and that, through the saving of direct expenditures for many leading items of cost, the public would secure a quick and thoroughly reliable service at much lower than commercial rates.

"It is further argued that the system ought to be adopted in this country because it has been in many others. My immediate predecessor in office seems to have spent a considerable amount of time in the study of this subject, reaching the conclusion, as have others, that the system should be adopted.

"My study of the subject, coupled with my experience as an officer of the Post Office Department, leads me to a contrary conclusion. In some of the leading countries of the world the postal telegraph is a source of profit, but not so in all of them; but even where profitable, it is operated within the limits of postal territory long since defined. The conditions of the Postal Service in this country, however, are so widely different as to induce the belief that a postal telegraph system in the United States would add enormously to the already large deficit of the Post Office Department.

"I believe it to be the true policy for this Government to continue for a number of years the development of the Postal Service on present lines. We are far from reaching the full benefits that can be derived from the free-delivery system, the railway mail, the money-order, or even the star service. Until these benefits are greatly enlarged and perfected, and until our better classes of service are substituted for the more crude in vast areas of territory in which the latter are alone justified under existing conditions, additional features should not be adopted, at least such as would bring an additional burden to the department in the way of deficiency of revenue.

"Moreover, I am not prepared at this time to say that a telegraph service could be fully accomplished without material changes supplementing the present post-office organization, and without incurring heavy additional expenditures. To undertake such a service simply through the instrumentality of the present organization would have a tendency at once to cripple the existing Postal Service, because its present organization is without a reserve; and this would result, in all likelihood, in an imperfect postal telegraph, which would not be satisfactory to the public even at reduced rates.

"The public would naturally expect better service and cheaper rates from governmental control, and there would have to be sufficient power vested in the Postmaster General to enable him to accomplish these results should the Congress legislate in favor of the telegraph service, even though it should involve the expenditure of amounts greater than the receipts.

"It would seem that a comparatively small country territorially, like Great Britain, with its large population, great commercial interests, and distribution of cities, would furnish as favorable conditions for the operation of a successful governmental telegraph system as any in the world; yet the report of the British Post Office Department to the House of Commons, dated November 27, 1893, shows the cost of the plant, up to the end of the fiscal year 1893, to have been \$52,930,388. Interest upon this amount at the rate of 2½ per cent per annum is charged in the current account and amounts to \$1,455,584.

"In the operation of the service there was a further loss of \$811,741, so that the total deficit for the year amounted to \$2,267,325. The deficiencies have been continuous since 1876 and have aggregated since 1872, \$24,006,432, and in the last 10 years the average deficiency has been nearly \$1,700,000. In Great Britain the postal service proper yields a large revenue to the Government, and so in one sense it can be said that it can afford the luxury of a postal telegraph. Under our postal system, however, partly undeveloped as it still remains, a telegraph system would be operated at a great loss to the Government; and this burden, it seems to me, should not be added to the Post Office Department.

"If the establishment of a telegraph plant in a compact country like Great Britain would cost over \$52,000,000, what would be the cost of establishing a plant for this country? I will not stop to make a computation; but one can see at a glance that the cost would be many times that of the British plant and the annual interest charged many times \$1,455,584; and if the loss in operation were over \$800,000 in that country in one year I should think it would be many millions of dollars in a country the size of ours, with its unequal distribution of population.

"There are in this country to-day two post offices separated from each other by post route more than 6,000 miles. It is true that we have, in round num-

bers, more than 170,000 miles of railroad post route, but I beg to call your attention to the fact that we still employ star service to the extent of 70,000 miles in excess of all the railroad and steamboat routes in the country combined.

"I reach the conclusion, therefore, that as a business proposition the Government can not afford at this time to establish a postal telegraph system. I believe it would be very unprofitable in itself and that it would tend to retard the development of our existing postal system. It has been opposed by some on the ground that the Government has not the power under the Constitution to establish telegraph routes; others doubt the expediency of increasing the number of employees in the public service.

"While I have considered the subject from a purely business and postal standpoint, still I may add the remark that if the Government were to establish such a system there would be limitless difficulty in determining the character, quality, and amount of service that should be accorded to the various sections of the country productive of wrangling and jealousy which might profitably be avoided unless some advantage could be attained greater than any that is ever likely to result from the establishment of a governmental telegraph."

ARGUMENT OF JUDGE WALTER CLARK.

[An epitome of a pertinent article by Judge Walter Clark, entitled "Telegraph and Telephone," that was published about this time in the American Law Review.]

Article I, section 8, of the Constitution includes the provision to "establish post offices and post roads"; in 1836 Hon. John C. Calhoun, leader of the strictest constructionists in the United States Senate, said: "It must be borne in mind that the power of Congress over the post office and the mail is an exclusive power"; and these words have been cited and approved by the Supreme Court of the United States in the case of *ex parte Jackson* (98 U. S. Reports, p. 784). The Supreme Court of the United States, in a unanimous opinion, has held that the telegraph came within the grant of power to establish the post office. That opinion, delivered by Chief Justice Waite, says:

"The powers thus granted are not confined to the instrumentalities of the Postal Service known or in use when the Constitution was adopted, but they keep pace with the developments of time and circumstance. They extend from the horse with its rider to the stage coach; from the sailing vessel to the steamboat; from the coach and the steamboat to the railroad; and from the railroad to the telegraph, as these new agencies are successively brought into use to meet the demands of increasing population and wealth."

Justice H. B. Brown, one of the ablest members of the United States Supreme Court, says:

"If the Government may be safely intrusted with the transmission of our letters and papers, I see no reason why it may not also be intrusted with the transmission of our telegrams and parcels, as is almost universally the case in Europe."

Congress placed the same construction on its powers by the act of 1866, which provides that all telegraph lines thereafter built shall be constructed under the notice, and only after the company signing a contract, that the Government may at any time take over such telegraph lines upon paying the value of its material. The telegraph (so far as used by the public for hire) unquestionably comes within the exclusive grant to the Government of operating the post office. The telephone and telegraph are simply the electric mail.

"When the Government shall assume its duty of sending the mail by electricity railroad companies can still operate their own telegraph lines on their own business, and private telephone exchanges will still exist, just as the railroads and others may now send their own letters by their own agents (R. S., 3984), but not carry them for others for hire (R. S., 3982). Then, as now, the Government would only have the exclusive privilege of carrying mail for hire (R. S., 3990). This privilege of carrying mail for hire, whether sent by electricity, or steam, or stagecoach, or on horseback, is an exclusive governmental function, and no corporation or monopoly can legally exercise any part of it.

* * * * *

"There should be no dicker with private companies about leasing or purchasing. In 1866 they only asked for five years to close up, but when the five years were out they had formed the present great trust and have ever since defied

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the public. * * * Let the Government give the actual value of such wire and material as it may wish to use, and take complete and exclusive possession of the duties of a post office."

On January 29, 1870, all the telegraphs in the United Kingdom were acquired by the Government. Till then the districts paying best had ample service but at high rates, while whole sections off the lines of railway had no facilities for telegraphic messages. The government at once extended the telegraph to all sections and reduced the rate to 1 cent a word. The following is the result:

"In 1870, under private ownership, 7,000,000 individual messages and 22,000,000 words of press dispatches were annually sent. Now that the telegraph is operated by the post office the annual number of individual messages sent is 70,000,000 (10 times as many) and over 600,000,000 words of press dispatches (30 times as many) are used. This, at a glance, demonstrates the overwhelming benefit to the public of the change and their appreciation of it."

In London the telegraph has largely superseded the mail for all the small and necessary details of life, over 30,000 telegrams being sent daily in that city alone.

"The service performed is with the utmost punctuality. It is calculated that the average time employed to-day in the transmission of a telegram between two commercial cities in England varies from 7 to 9 minutes, while in 1870 (under private ownership) 2 or 3 hours were necessary.

"The rate of 1 cent a word includes delivery within the postal limits of any town or within 1 mile of the post office in the country. Beyond that limit the charge is 12 cents per mile of delivery of a message. The telegraph being operated as a constituent part of the postal service, it is not possible to state how much profit the Government receives from it, but the English Government does not consider that it should be treated as a source of revenue. It regards it as a means of information and education for the masses and gives facilities of all kinds for its extension in all directions.

"According to English experience the transfer of the telegraph to the post office department would result in (1) a uniform rate of 10 cents for 10 words between all points, or possibly less; (2) an increase in individual messages of at least 10 for every 1 now sent; (3) an increase in press dispatches of 30 words or more for every 1 cent now; (4) a popularization of the telegraph for all uses, social or business; (5) an increase in the promptness of delivery, the average there being now 7 to 9 minutes as against 2 to 3 hours formerly; (6) no section would be destitute, but at each one of our 70,000 post offices there would be a telephone or telegraph. By adopting the telephone at most post offices, instead of the telegraph, the increases in the number of post-office employees would be inconsiderable."

SYNOPSIS OF ARGUMENT PREPARED BY PROF. FRANK PARSONS.

Statistics from 75 of the principal nations of the world show that the government owns and operates the telegraph in all except Bolivia, Cuba, Cyprus, Hawaii, Honduras, and the United States.

Henry Clay, Charles Sumner, Hannibal Hamlin, Gen. Grant, Senators Edmunds, Dawes, Chandler, and N. P. Hill, Gen. B. F. Butler, John Davis, Postmaster Generals Johnson, Randall, Maynard, Howe, Creswell, and Wanamaker, Prof. Morse, the inventor of the telegraph; Cyrus W. Field, the founder of the Atlantic cable and a director in the Western Union Co.; James Gordon Bennett, Prof. Ely, Lyman Abbott, B. O. Flower, Judge Clark, Henry D. Lloyd, Dr. Taylor, T. V. Powderly, Samuel Gompers, Marion Butler, and other eminent men in every walk of life have championed Government ownership in America. Legislatures, city councils, boards of trade, chambers of commerce, and labor organizations; numerous newspapers, and the Prohibitionist and Populist Parties, favor it. Opposition is confined to the capitalists controlling the present private system of telegraphy. Senator Edmunds in 1883 introduced a bill to establish a postal telegraph; another in 1885, and another in 1887. Senator Dawes, from 1873 to 1888, introduced four bills to provide for the transmission of correspondence by telegraph. Altogether more than 70 bills have been introduced into Congress for the purpose of establishing a postal telegraph. Eighteen times committees of the House and Senate have reported on the question, 16 times favorably and twice against. Of the two adverse reports, one was

a 2-page document, mildly expressing the opinion of the committee that the telegraph monopoly should be regulated, but that public ownership was not best because of the increase of patronage and because the committee thought it would cost more to run it under governmental control. No evidence was taken; no investigation was made. The other adverse report was made in 1869, upon the ground that the five years of security given to the companies by the law of 1866 had not elapsed.

The Constitution intrusted to Congress the power "to establish post offices and post roads." This power is interpreted by the Supreme Court to mean the transmission of intelligence in any form and by any means. It is therefore the positive duty of the Government to use the telegraph as a factor in the Postal Service.

A large part of the people have no facilities for transmitting telegraph messages under the present private-ownership plan. The advantages of a change are apparent when it is shown that the Western Union has 21,000 offices and the post office 70,000.

Telegraph rates in this country are 25 cents to \$1 for 10 words and 2 to 7 cents for each word in addition; the night rates are somewhat less. In Europe the usual rate is about 10 cents for 20 words and one-half a cent to a cent for each further word. The figures submitted by the Western Union to show that the distances in this country are much greater than in Europe were greatly exaggerated.

The Western Union claims that wages are much higher in this country than in Europe. On data furnished it appears that the average salary of operators in this country does not exceed \$333, while the average in Europe is \$320, but in many cases Great Britain and France, for instance, the average salary of the operators is much greater than in this country. Besides, according to the Western Union, the operators in this country do twice as much work as European operators.

In attempting to justify its charges the Western Union claims that Europe operates the telegraph service at a loss. On the contrary, France, England, Switzerland, Sweden, Prussia, Belgium, and other countries make a profit, and Europe as a whole does the same. The Western Union ciphered out a loss for Europe by adding the cost of construction into the operating expenses. Rates are higher here because private enterprise aims at dividends, while public enterprise is satisfied to serve the people at about cost. In Great Britain the 18,000,000 messages sent in 1873 under public ownership cost the public just what 9,000,000 would have cost under the displaced private ownership. In the spring of 1895 Mr. Wanamaker stated that he thought a uniform 10-cent rate for 20 words, regardless of distance, could be established and yet leave the system self-sustaining. He based his opinion on the rates before the Western Union absorbed other companies and shut off competition.

"The Western Union reports its stock at \$95,000,000, and bonds \$15,000,000—\$110,000,000 of capitalization. It claims 190,000 miles of line, 800,000 miles of wire, and 21,360 offices. The figures, however, are false. Three-fourths of the offices are railway offices maintained by the railways. And the mileage appears to have been obtained by adding together the mileage of all the lines the Western Union has ever built, bought, or leased, a large portion of which has long since ceased to exist; and another portion, consisting of useless parallels constructed on purpose to be bought by the Western Union, remains on its hands as mere lumber. The total land plant in actual operation under Western Union control is probably less than 100,000 miles of poles and 400,000 miles of wire, and the larger part of this is not in good condition. The total value of the plant, offices and all, appears to be about \$20,000,000. Subtracting the \$15,000,000 of bonds we have \$5,000,000 of property—which the stockholders own after paying their debts—\$5,000,000 as the total tangible basis of \$95,000,000 of stock. The evidence of all this is voluminous and convincing."

The present telegraphic system in America is indicted for its ill treatment of employees and a general abuse of the employing power—child labor; overworked operators; long hours and small pay for those who do the work; less wages to women than to men for the same work; favoritism and unjust distinctions between men in the same service; a settled policy of reducing wages and increasing work; denial of the right of petition, the right of organization, and the right to consideration because of long and faithful service. In 1890 the evidence was that the average pay of telegraph operators was \$40 to \$45 a month, that girls were employed in some instances as low as \$12 to \$15 a month, and quite a number were paid no more than \$20 to \$35. Abuse of the

employing power such as listed above results in strikes and poor service, manifested in slowness, inaccuracy, insufficient facilities, failure to guard the secrecy of messages, etc. Examples are cited illustrative of these features. The Western Union Co. is charged with "discrimination between the messages of different customers, both as to rates and order of transmission." Instances are given. Monopoly of the news service results from private ownership of the telegraph. Reference is made to the censorship of the Associated Press under its arrangement with the Western Union.

Misgovernment and political corruption are evils to which the private telegraph contributes, through a distribution of franks to Government officials, both State and Federal.

Another evil of private ownership of the telegraph is the dangerous concentration of power and wealth in the hands of a few irresponsible persons. The Western Union in its compact with the newspapers reserves to itself the exclusive right of furnishing commercial and financial news to individuals and associations; and

"For the purpose of giving fabulous fortunes to its inside managers and their friends the Western Union need not send untrue market quotations. It has only to give the true quotations a single hour, or less than that, in advance to those whom it means to favor and the work is effectually accomplished. No such power should be allowed to exist in this country; the temptation to abuse it is enormous and will sooner or later prove to be irresistible."

In the hands of private individuals the telegraph enables them to monopolize intelligence and to perform the greatest operations in commerce and other departments of business.

The present telegraph system is a menace to the national strength in time of war. The telegraph is one of the most important instruments of war and the Nation ought to own the system on military grounds, if there were no other reason.

Private monopoly means taxation without representation. The monopolist is able to charge more than his service would be worth in a fair competitive market. Government is a union of all for the benefit of all.

"The argument for a national telegraph does not rest solely on the ground of unifying interests and removing private monopoly with its power of taxation for private purposes and without representation, but also on the ground of experience demonstrating its superiority, the movement of civilization in the direction of national cooperation in the conduct of affairs of national extent, the trend of thought and events in that direction in the United States, the overwhelming public sentiment in favor of a national telegraph, the constitutional duty of the Federal Government to use the telegraph in the conveyance of the people's correspondence, the aid a national system will give toward a better diffusion of wealth, a fuller development of business and social life, and a more perfect national coherence in peace and in war, the economies it will effect, the lower rates, improved service, wider facilities, better conditions of employees and the press, cessation of telegraph discrimination, fraud, and corruption, the impetus that will be given to civil-service reform, and many other advantages."

Economy, good service, and general satisfaction have characterized the national telegraph service abroad, while in this country the opposite is true.

"The results of public ownership of the telegraph and telephone may be briefly stated thus. The rates are much lower than under the private system and the facilities better. A Government telegraph goes where private enterprise will not go. The popular use of the telegraph is vastly greater in Europe than with us. The proportion of social business is six, eight, ten times more than it is in the United States. The general service is more efficient, swift, and accurate than with us. The public telegraph has proved of incalculable value in the apprehension of criminals, being used much more freely by the Government than the very costly service of a private system is apt to be. * * * The employees are better treated and the aim is to improve their condition from year to year. There is no telegraph discrimination, no telegraph lobby. There is no watering of telegraph stock, no dividends on real or fictitious stock, no strike of operators, no blackmailing lines or wasteful construction. There is no manipulation of market reports. The various Governments display a progressive spirit, adopt new inventions, and lower the rates from time to time as fast as it seems to be practicable. As a rule, there is a margin of profit in spite of low rates, and the sum total of yearly results in Europe generally shows a surplus of receipts above the cost of operation in spite of

the low rates and extended lines. At the least calculation the people of Europe save \$25,000,000 a year through Government ownership of the telegraph."

Postmaster General Wanamaker advocated the plan of contracting with one or more telegraph companies to connect the post offices with telegraph lines, supply the instruments and operators, and carry messages at low rates as a part of the Postal Service. His idea was to begin by connecting all the free-delivery offices and gradually extend the lines to all post offices. A postal telegram could be deposited in any post office or post box, or in any telegraph office of the contracting company. The charge would be 10 cents for 20 words for 300 miles or less, not over 25 cents for distances up to 1,500 miles, not over 50 cents for any distance, nor more than 1 cent a word for words beyond the first 20. Two cents would go to the Government for its services in collecting and delivering the message and the rest would go to the telegraph company. New York capitalists were eager to contract with the Government on the Wanamaker basis or the basis of a uniform 25-cent rate regardless of distance. This plan avoids the objections usually urged against a public telegraph. It would not increase the Government patronage, nor require any public expenditure, nor limit private enterprise, and yet it would render the country an inestimable service by cheapening the telegraph and making it more accessible to the people. Its disadvantages are that it still leaves the rates higher than need be in order to give the private capitalists the profit they demand; that although the business would be essentially a public one, carried on in the post office and largely by means of its labor and capital, yet the profit would chiefly go to private parties; that it would extend the pernicious contract system, which is far more liable to abuse than the patronage; that it does not eliminate the antagonism of interest between the telegraph management and the public; that it does not diminish but largely increases the telegraph stock to be gambled with and manipulated; that it leaves the telegraph workers to the mercy of corporate greed, etc.

The limited plan is vastly better than the present system. Mr. Wanamaker stated before the Bingham committee that the reason he had not advocated the Government-ownership plan was because "there seemed to be an impression that you (Congress) do not want to make an appropriation." Senator Edmunds, before the Hill committee, in 1884, said:

"It seems to me for the best interests of the country that any appliance with which its welfare is so intimately connected as is the instantaneous transmission of intelligence should be subject to no censorship, to no corporate will, to no question of how it is going to affect stocks or the standing of corporations or persons, but it should be free to all men, as the post office is, and like the post office, subject to no espionage. It is essential, I believe, at this time to the interests of the United States, and growing more and more so, in connection with great social questions, and the aggregations of vast sums of money under corporate power, that this Government telegraph, on the constitutional principle stated, should be undertaken independently and subject to no contracts or arrangements with parties."

Another way of handling the telegraph question would be to lease lines from private companies and operate them by the postal force. This would be better than the first plan, with a good civil service, since it accomplishes the same extension of facilities and still greater reduction of rates. The objections are that it would still pay out a considerable rental profit which had better stay with the people and it would retain the contract method to some extent.

A third plan would be for the Government to buy existing lines and connect them with the post-office system. One trouble with this plan is that existing lines are in large part of very inferior quality, and the people would probably have to pay five or six times the value of the telegraph. In a speech on the floor of the Senate January 20, 1883, Senator Edmunds stated that he was not in favor of the Government purchasing existing lines, but that he favored the building of its own lines by the Government. Senator John Sherman, of Ohio, expressed himself in a similar manner, and in 1888 the Committee on Commerce stated that it was its belief that the Government should construct its own lines.

A fourth plan would be for the Government to ask private parties to build the lines, or supply the money for building them, on condition that said parties should receive a specified interest on their capital; that all profits beyond said interest should go toward paying off the principal, and that when it should be entirely paid the lines should revert to the Government free of debt—a sort of building loan association plan. It might be agreed that the operation of the

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lines during the period of payment by installments should be in the hands of the builders or of the Government, or of trustees for both. This plan requires no public debt, but the people lose on the interest, which is usually 6 or 7 per cent in such cases instead of the 3 per cent for which the Government can borrow.

A fifth plan would be for the Nation to build a telegraph system for itself. It may first build lines connecting the great centers of population, and the revenue thus obtained from year to year could be used to extend the lines, or it may establish a comprehensive plant at the start. The construction and maintenance of the lines could be placed in charge of the Engineer Corps of the Army. We educate at West Point men possessed of the latest scientific knowledge, and they would do the work excellently, saving the Government immense sums that the telegraph builders ask for supervision and profit. The rank and file of the Army might also supply a part of the ordinary labor required for construction and maintenance.

Superintendence of the office work could be confided to the postal officers, with very little addition to the force. Mr. Wanamaker stated that in three-fourths of the post offices no additional attendant would be needed. In England the regular postal staff does the telegraphing in all the small offices. One-half of the regular staff in Belgium are telegraph operators.

A large saving would be made in rentals and the cost of heat and light. The Government would not have to pay dividends on watered stock or on the real investment. Costs of litigation, counsel fees, lobby expenses, and big salaries would be saved. There would be no building of useless lines nor wastes of competitive telegraphy, the money abstracted from the people by the discriminative use of the telegraph for speculative purposes would remain in their pockets, and the cheapening of communication would bring the whole people closer together, give them a better understanding of the markets, and develop the business transactions of the continent.

The Western Union claims that while there would be a large increase in business from a reduction of rates the expense would increase in proportion, but this statement is refuted by statistics furnished by the attorneys for the Western Union, which show—

	Number of years.	Per cent of increase in business.	Per cent of increase in expenses.
Germany.....	6	259	83
Belgium.....	5	252	61
Holland.....	5	142	62
Denmark.....	5	149	38
United States.....	5	80	27

It is estimated that where there is no material change in the plant or wages of employees, a 100 per cent increase in business occurring by reason of a reduction in rates is accompanied by an increased expense of not more than 33 per cent.

Judge Walter Clark, of the Supreme Court of North Carolina, proposed that the legislature of each State should pass a law reducing the telegraph rates to 10 cents for 10 words between any two points within the State. A bill was introduced in the North Carolina Legislature to reduce the rates to 15 cents, but the Western Union, through a lobby, beat the measure by one vote. In July, 1897, the railroad commissioners took action and fixed the rate at 15 cents. The Western Union Co. have taken the matter into the Federal courts, declaring the new rate unreasonable, and it probably is, in that it is too high.

TESTIMONY OF PROF. EDWIN R. A. SELIGMAN.

The following testimony of Prof. Edwin R. A. Seligman, professor of political economy and finance in Columbia University, is taken from the report of the Industrial Commission for 1900:

"Prof. Seligman considers that upon the basis of his three criteria of the desirability of Government ownership—namely, widespread social interests, amount of capital invested, and complexity of management—the argument for Government control of the telegraph is substantially as strong as for Govern-

ment ownership of the postal service. (1) Unfortunately in this country the telegraph is not used by everyone; but this is because the charges are so much higher and the facilities so much less than in other countries, where the telegraph is managed by the Government. (2) As regards the capital invested, the requirements, though greater than in the case of the post, are yet very small as compared with other interests. The cost of putting up poles and stringing wires is relatively slight. If the existing companies were bought out, there would be a capital outlay, but even then it would be insignificant when compared with the capital invested in ordinary enterprises or the means of transportation. (3) As to complexity of management, while the telegraph makes possible a somewhat higher demand than the postal service upon the skill of its managers, and while somewhat more effort is required to keep the service up to the level of the advances of science, the business is yet very simple as compared with others; for instance, with the railroads. The great end of individual initiative in industry in general is to turn all ability toward the reduction of cost by inventions, etc. Experience shows that 'even such sleepy administrations as those of France and England' keep the telegraph service on a level with new inventions. That the post is a public service with us and the telegraph is not is an historical accident, due to the fact that the telegraph was not invented until 1844, and the postal service grew up in the seventeenth and eighteenth centuries."

It appears further that Prof. Seligman would favor the purchase by the Government of the existing telegraph systems and would be opposed to governmental competition with private enterprise.

EXCERPTS FROM REPORT OF THE INDUSTRIAL COMMISSION, 1901.

Following is a synopsis of parts of the Annual Report of the Industrial Commission for the year 1901:

"Testimony of Frank Parsons, president of the National Ownership League, pages 112-193; Albert B. Chandler, chairman board of directors of the Postal Telegraph-Cable Co., pages 193-206; Thomas F. Clark, vice president, Western Union Telegraph Co., pages 206-241; A. L. Randall, chairman International Typographical Union committee on Government control and ownership of the telegraph, pages 241-265; F. C. Roberts, member of the International Typographical Union, pages 266-274; and Romyn Hitchcock, consulting chemist and technologist, New York City, pages 890-896.

"According to the testimony of Mr. Clark (Digest, CCIII), the Western Union Telegraph Co. in 1900 had 192,705 miles of poles and 933,153 miles of wire, with 22,900 offices; while for the same year the Postal Telegraph Co., according to Mr. Chandler, its president, owned or controlled 26,042 miles of poles and 169,236 miles of wire, not including its Atlantic cables, and maintained 20,781 offices. The Western Union Co. transmitted 70,000,000 messages of all kinds in 1900 and the Postal 16,524,444.

"Prof. Parsons, referring to the capitalization and profits of telegraph companies, states (Digest, CCIV) 'that of the \$95,000,000 of stock of the Western Union Telegraph Co. (in 1900) a very large part is water; \$60,000,000 of the stock represents less than \$10,000,000 of actual value, and \$35,000,000 represents largely stock dividends which can not be analyzed. The highest estimate any legislative committee that has investigated the matter has ever placed upon the amount of money paid in by the stockholders is \$16,000,000. * * * The railroad commissioners of North Carolina in 1897 had made an extensive examination and came to the conclusion that about \$5,000,000 was the actual value of the Western Union Telegraph Co., over and above its bonds. From the best information obtainable, says the witness, it appears that the plant could be duplicated for from \$20,000,000 to \$30,000,000 at the outside.'

"Prof. Parsons says further that when an attempt was made in Ohio to increase the taxation of the Western Union lines the assessment was fixed, on the basis of two-thirds of the value, at \$2,000,000 for the 8,272 miles of line in the State.

"The company claimed that the property should be assessed at not more than \$647,000 and that the total cost, including all wires on a line, and including also the cost of stations and equipment, was on the average of \$103 per miles of poles. On this basis the total 190,000 or 200,000 miles of poles owned by the company would be worth about \$20,000,000.'

"Mr. Roberts quotes from the Washington Evening Star of 1893 to the effect that the paid-in capital of the Western Union Co. does not amount to over

\$10,000,000, while its stock amounts to over \$80,000,000. The witness quotes also (Digest, CCIV) from the report of the executive committee of the National Board of Trade of November 15, 1882, which stated 'that in 1858 the Western Union had a capital of \$385,700; that 8 years later the stock had increased to \$22,000,000, of which \$3,322,000 was issued in the purchase of competing lines and \$18,000,000 was issued in stock dividends; that afterwards when the United States Telegraph Co. was purchased by the Western Union, over \$7,000,000 of stock was issued, which was alleged to be five times the value of the property taken in; and that in the purchases of other telegraph companies occurring subsequently practically the same proportion of stock was issued in respect to real value as in the cases mentioned.'

"Mr. Clark denies the charge of overcapitalization of the Western Union Co., and states (Digest, CCV):

"The total capitalization of the Western Union Telegraph Co., including the stock, the collateral trust bonds, and all other bonds and liabilities, amounts to \$131,364,665. On this basis the capitalization per mile of poles in the United States is \$703.80. Deducting the Atlantic cables from the wire mileage, the capitalization per mile of wire is \$141.70, * * *

"Figuring the capitalization from another standpoint and deducting \$11,000,000 of assets from outside companies that are not telegraph companies and whose systems are not in any way comprised in its mileage, the capitalization of the Western Union is \$120,364,665, or \$645 per mile of poles and \$129.80 per mile of wire.'

"Mr. Clark further stated that the claim that the lines can be reproduced for \$120 to \$130 per mile is preposterous; that it cost the company \$100,000 per mile to construct the underground and pneumatic system for 3 miles in New York City; and that owing to varying conditions in the country it is not possible to make a reliable estimate of the average cost of constructing a mile of poles with 1 wire or the cost per mile of wire and the cost of terminals.

"It will be noted that Mr. Clark places the capitalization of the Western Union at \$645 per mile of poles, while it was claimed by the company during its litigation in Ohio that the total cost per mile of poles was only \$103.

"Mr. Chandler (Digest, CCVI) states that he has known a good single-wire telegraph line to be built for \$150 per mile, and he has known single lines of telegraph in cities to cost \$10,000 underground.

"Mr. Chandler stated that at the time of its acquisition in 1897 by the Commercial Cable Co. the Postal Telegraph Co. was capitalized at \$20,000,000, which covers its franchises, patents, and other requisites for carrying on a telegraph business.

"Mr. Clark claims that according to the mileage given by the Postal Telegraph Co. in the United States it is capitalized at \$782 per mile of poles and \$121 per mile of wire.

"(Digest, CCVI) Mr. Randall states that beginning in 1858, when its capital stock was only \$385,780, the Western Union Telegraph Co. paid in dividends during the next eight years nearly \$18,000,000; that the largest dividend declared by the company up to 1874 was 414 per cent; and that from 1858 to 1890 the average annual dividends amounted to about 300 per cent.

"Prof. Parsons states that Postmaster General Wanamaker's investigation showed that stock in this company paid 300 per cent cash dividends per year from 1858 to 1890 and 150 per cent a year in stock dividends besides.

"Mr. Clark states that (in 1900)—

"The annual gross earnings of the Western Union Telegraph Co. amount to nearly \$25,000,000, while the gross expenses are about \$18,500,000, which leaves a balance of something over \$6,000,000 for dividends on their stock, for interest on the bonds, and for sinking-fund purposes, with a small surplus. The expenses for a year are made up of operating and general expenses, amounting to over \$13,000,000—rental of leased lines over \$1,500,000, maintenance and reconstruction nearly \$3,000,000, taxes a little over \$500,000, equipment a little over \$300,000. The operating and general expenses for salaries amount to \$9,000,000, or practically 50 per cent of the whole expenses, which does not include the salaries for regular linemen, special line gangs, and general labor expenses.'

"Mr. Chandler states that the Postal Telegraph Co. earned and paid 4 per cent dividends previous to the sale of the property and has just about earned the interest that has been paid by the Commercial Cable Co. on the bonds since the acquisition of the property.

"Mr. Randall (Digest, CCVII) believes in uniformity of telegraph rates; he does not think distance should be considered, as nineteen-twentieths of the telegraphic business of the Western Union Co. is done within a radius of 1,000 miles of New York, and rates on that business would pay for any deficiency in the revenues for longer distances.

"Mr. Clark states that the commercial rates in some States are made up in different ways, the rate for a 10-word message being 25 cents for the whole State and special rates applying between States and large centers. The rates for local purposes all through the country, if not thus specially determined, are made up by a system of squares, a square being 50 miles each way, and the rate being 25 cents from any square to any two circles of contiguous squares. The highest rate charged for the country is \$1, which is from the Atlantic to the Pacific coast, and there is no rate less than 20 cents.

"Mr. Chandler states that the rates of the Postal Telegraph Co. for messages of 10 words, exclusive of date, address, and signature, range from 20 cents, applying locally in a few cities, to \$1 from coast to coast, and that the average amount received per message during year 1900 was 34.2 cents. Rates are fixed on a zone system similar to that described by Mr. Clark.

"Prof. Parsons states that the average telegraph receipts in this country are about 31 cents for ordinary messages.

"(Digest, CCVIII) Mr. Randall and Mr. Roberts believe that the telegraph rates in this country are excessive.

"Mr. Clark states that the average rate received for telegrams of all lengths by the Western Union Co. is 30.8 cents and the operating expense about 25.1 cents. These figures are obtained by dividing the total receipts and expenses by the number of telegrams. He asserts that distances in European countries are very short compared with those in the United States and that in this country no charge is made for the address and signature of the message, while in European countries these matters are counted as part of the message, so that while the rates of European countries would appear on their face to be much lower than the rates in the United States it would be found upon examination that a message in the United States costing 25 cents would average 21 words long, and at the rate of 1 cent a word, which is common in European countries, this would cost 21 cents for a 10-word message.

"Mr. Chandler makes a similar comparison of rates in European countries and the United States.

"(Digest, CCIX), Prof. Parsons in support of his contention that the rates in this country are excessive states that—

"In Great Britain a message from any point to any other point in that country may be sent for 12 cents. From any point in the States of Massachusetts, New York, Connecticut, or New Jersey, to another point in the same State it is 25 cents. The average charge for all messages in Great Britain is about 15 cents, as against 31 cents in the United States.

"Mr. Clark, vice president of the Western Union Telegraph Co. (Digest, CCX), submits a table showing for each of the European countries and the United States the number of people, the miles of telegraph lines and telegraph wires, the number of offices, the messages sent, the receipts, the number of people to the square mile, and the number of people to 1 mile of wire (in 1900) in support of his contention that superior telegraph facilities are provided in this country as compared with European countries. He states that there are 76 people for every mile of wire in this country, as against 130 people to every mile in Great Britain; 188 in Germany; and 699 in Russia. Prof. Parsons, president of the National Ownership League, replies that 1 mile of wire to 76 people in the United States against 1 mile to 130 people in Great Britain proves nothing, except the relative sparsity of population in the United States.

"Mr. Clark states that by reason of the amalgamation of other small companies with the Western Union that company has been enabled to effect a reduction in its rates from an average toll of \$1.047 received in 1868 to an average of 25.1 in 1890, but that he thinks a general reduction in rates throughout the United States is impracticable and would result in failure, for the reason that the physical capacity of the wires has been reached and increased business would necessitate large additional expense in the construction of other telegraph lines.

"Mr. Chandler states that considerable reductions have been effected in the rates of the Postal Telegraph Co., brought about largely by the disposition to secure greater uniformity and to extend the limits within which specific rates prevail.

"(Digest, CCXI), Prof. Parsons states that Postmaster General Wanamaker informed him that his investigation led him to believe that a uniform 10-cent rate in this country under Government ownership would be remunerative. He stated—

"There was a line of telegraph between Milwaukee and Chicago installed some years ago, on which a 10-cent rate was made, and the company paid back from 30 to 40 per cent of the receipts to patrons of the road after paying 7 per cent interest on the capital; subsequently it reduced the rate to 5 cents and still paid back from 25 to 40 per cent of the receipts to the patrons of the company, and at the same time has doubled its stock, making it half water, thus showing some of the immense profits to be made in the telegraph service from low rates.

"(Digest, CCXII), Prof. Parsons says:

"That England made a mistake when it bought out the telegraph companies by buying them all at once instead of one at a time, as Prussia had done with the railroad service. It also paid about four times as much as the lines were worth. Notwithstanding these disadvantages the rates were immediately lowered and the service increased and bettered in every way. Telegraph offices have been opened in the post offices and messages can be deposited in post-office boxes. The hours of labor have been shortened from 56 to 48 and 42, and wages increased. The public operation of the telegraph has brought about a harmony of interest. Press rates have been reduced to the lowest figure in the world to-day. The number of messages doubled in two years after the Government took possession and has subsequently very largely increased. * * * Where the rates are low and the facilities ample the masses of the people use the telegraph to a very great extent.

"Mr. Clark states that the English telegraph is operated at a loss, brought about largely by extending the system without commercial considerations to remote and insignificant places to serve the interest of the comparatively limited number of people who use the telegraph, at the expense of all, and that if the same policy were pursued in this country, which is 25 times as large and not nearly so thickly populated, the same result would follow in an intensified degree.

"In reply to this comment by Mr. Clark, Prof. Parsons states (Digest, CCXIII), that while there is a deficit in the operation of the English telegraph system, a deficit has not occurred in any of the other European countries, and it is believed that this condition was brought about by the mixing of the telegraph with the postal funds in such a way that a proper accounting of the respective expenses could not be made; that telegraph experts in England have stated that if such a division of the mail and telegraph expenses were made, there would be no deficit. Moreover, that the railroads in England are permitted to use the telegraph free, which is a mistake. Prof. Parsons says that the English telegraph system is run as a means of disseminating information throughout the whole country and giving increased facilities of communication to all classes, as well as a means of increasing the trade and commerce of the Kingdom.

"(Digest, CCXIV), Prof. Parsons states that he believes that under the Constitution of the United States, it is the duty of the Federal Government to establish a postal-telegraph system. He quotes from a report of the House Committee on the Post Office and Post Roads of the Twenty-eighth Congress, wherein it was asserted that the telegraph came under the same category as the post office as a governmental function. The Government is bound to supply the people with means of communication. The Postal Service was placed under the control of the National Government and with the increase of inventions and other means of communication they likewise should be administered by the General Government.

"Mr. Roberts, a member of the International Typographical Union telegraph committee, does not think it necessary to argue the question of the right of the Government to own and operate the telegraph. He states that—

"The operation of the Post Office Department is the best evidence that the Government has the right; if it has the right to transport letters, it certainly has the right to handle telegrams. In 1866 the Western Union Telegraph Co. practically conceded this right to the Government, merely asking that Congress should permit it to operate the system for the term of at least five years, in order that the capital invested in the plant might not be destroyed."

"(Digest, CCXIV), Mr. Hitchcock says that it is the duty of the Government under the Constitution to utilize the best available means for the transmission

of correspondence, and it is therefore unconstitutional for the telegraph to be operated as a private monopoly. Of 75 countries the telegraph is owned and operated by the Government in all except Bolivia, Cuba, Cyprus, Hawaii, Honduras, and the United States.

"Mr. Randall says that his general reason for advocating governmental ownership of the telegraph is his opposition to a monopoly of any sort; that the press rates are extortionate; large dividends are paid on watered stock (two-thirds of the Western Union being watered); and he believes that the taking over of the telegraph lines by the Government would merely be a return to original conditions, inasmuch as the first telegraph in America (from Washington to Baltimore) was built with an appropriation from Congress and was operated by the Post Office Department for three years.

"(Digest, CCXIV), Prof. Parsons states "that when the English Government began to consider the absorption of the telegraph companies they used every effort to prevent the reform, and made all sorts of objections, every one of which has been answered by the results of the public system. There is really no force in the current objections to Government ownership aside from the patronage question, and that difficulty can be solved.

"Mr. Hitchcock says (Digest, CCXV) 'that a select committee of Congress in 1870 estimated that the annual saving by Government ownership of the telegraph would be at least \$1,500,000. Inasmuch as the receipts of the telegraph company are now (for 1900) four times what they were in 1870, the saving under the Government operation would be very much greater now, even if there were no improvements made in operation. By cutting off dividends upon watered stock alone the saving by Government management would probably be not less than \$4,000,000 per annum.'

"Mr. Chandler, of the Postal Telegraph Co., knows of no reason why the Government might not conduct the telegraph business and believes it would be practicable to introduce the telegraph into many country post offices and have both the mail service and the telegraph service operated by the same force, with a considerable saving in expenses.

"Mr. Clark believes that there would be no advantage in Government ownership of the telegraph and does not think it practicable to use post-office employees as operators; that the Government could not make a more just division of rates than now exists, and that an extension of the telegraph to very small towns would prove unprofitable.

"Mr. A. L. Randall (Digest, CCXVI) states that in 1893 the International Typographical Union of North America, at its forty-first annual session, held in Chicago, first advocated governmental ownership and control of the telegraph in resolutions offered by himself; and that a committee was appointed at this meeting to organize the country and in a short time petitions and resolutions bearing the signatures of 300,000 people came up to Congress and were referred to the House Committee on the Post Office and Post Roads which in 1894 accorded a hearing, at which the American Federation of Labor and other interests were represented. With only a few exceptions members of that committee and other Members of Congress admitted that it was not only the right, but the duty, of the Government to furnish the speediest and most efficient Postal Service possible, and that the telegraph is a necessary adjunct to the Postal Service. Mr. Randall says further that almost every Postmaster General since 1846 has been in favor of governmental ownership of the telegraph and names some of them.

"(Digest, CCXVII), Mr. Roberts states that the International Typographical Union of 35,000 members, and at its annual meeting in 1893 put itself on record as favoring governmental ownership of the telegraph, and this union has a permanent committee on this subject. He stated further that the American Federation of Labor was on record as favoring this reform.

"Mr. Chandler thinks that in case the Government should take over the properties of the telegraph companies it should appraise the same, which exists in the form of contracts, franchises, and privileges, at a fair value, that great care would have to be taken, and time, for the change.

"Mr. Hitchcock believes that the purchase of the properties of the existing telegraph companies by the Government would be inexpedient because the Government would be called on to pay many times the actual value of the plant; that the simplest course for the Government to pursue would be to enter into an agreement with the owners of some improved system, such as the Delany system, for the latter to construct the first line and operate it for six months or a year for their own profit at 10 and 15 cent rates for 50 and 100 word messages.

If at the end of that time the plant is working satisfactorily, the Government should then be obliged to take over the line, paying an advance of 10 per cent on the cost of construction. He does not believe that the competition thus engendered would result in ruin to the Western Union Co., because there would be time for a natural readjustment to meet the changed conditions.

"(Digest, CCXVIII, CCXIX, and CCXX), Mr. Roberts, Mr. Randall, and Mr. Hitchcock allege that the existing telegraph companies exert a news monopoly in favor of certain newspapers, and Mr. Clark denies the allegation.

"(Digest, CCXX and CCXXI), Prof. Parsons and Mr. Roberts allege an influence of the telegraph company in politics by reason of the furnishing of franks to Government officials; Mr. Clark and Mr. Chandler refute this statement, saying that such franks are furnished merely as a matter of courtesy.

"(Digest, CCXXI, CCXXII), Mr. Randall and Mr. Roberts state that the Western Union Co. suppresses inventions which tend to cheapen and quicken the service, and Mr. Clark denies the charge. Prof. Parsons also makes the same charge, as does Mr. Romyn Hitchcock.

"Mr. Chandler states that the Postal Telegraph Co. has endeavored to use new and useful devices to the fullest extent. A great many so-called improvements, however, when brought into actual practice in comparison with appliances already existing, have been found wanting.

"Mr. Randall describes a system of telegraphy invented by a gentleman named Anderson, and known as the Anderson Machine Telegraph, which he alleges was suppressed by the Western Union Co.

"Mr. Hitchcock advocates Government ownership, making use of the improvements in telegraphy made by Patrick B. Delany, and furnishes a description of his invention (Digest, CCXXIII).

"(Digest, CCXXIV and CCXXV), Prof. Parsons and Mr. Roberts accuse the Western Union of paying its employees poor wages and of grinding them down. Mr. Clark denies this, and states that the wages paid operators by the Western Union range from \$100 per month down according to the skill of the operator. Mr. Chandler states that the Postal Telegraph Co. pays its employees from \$85 to \$25 a month, according to their ability; that the average monthly salary is about \$60. Nine hours is counted a day's labor and 7 hours a night's labor."

POSTAL ACT OF 1901.

The postal act of January 22, 1901, contained the following provision:

"The Postmaster General is directed, if he has sufficient available information to enable him to do so, to report to Congress the probable cost of connecting a telegraph and telephone system with the postal service by some feasible plan."

This direction of Congress does not appear to have been complied with.

REPORTS OF POSTMASTERS GENERAL PAYNE, CORTELYOU, AND HITCHCOCK.

The treatment accorded to the subjects of postal telegraph and postal telephones in the annual reports of Postmasters General Payne, Cortelyou, and Hitchcock are as follows:

"The extension of the rural free-delivery service and the consequent increase in the use of the mails by the patrons residing along the rural routes, together with the extension of the telephone service into the farming districts of the country, has suggested the propriety of extending the privilege of the special delivery of such letters, or the contents thereof, by means of the telephone, it being proposed that a special stamp be provided covering the cost of such transmission, the use of which stamp would authorize the postmaster at the office of delivery to open such letter and telephone its contents to the person to whom it is addressed. It will be seen that if such plan is feasible, 24 hours' time will be saved in the transmission of important messages to many people residing along the lines of the rural-delivery routes. I would recommend that a small appropriation be made by Congress for the purpose of enabling the Postmaster General to investigate this subject." (Annual report of Postmaster General Payne for the fiscal year ended June 30, 1903.)

"Progress toward these improvements will open the way for investigations to determine the feasibility of the adoption of many important policies of administration—reduction of postage, both domestic and international, postal savings banks, parcel post, postal telegraph and telephone, and others—the merits and defects of all of which should have in the not distant future the fullest con-

sideration." (Annual report of Postmaster General Cortelyou for the fiscal year 1906.)

"The telegraph lines in the United States should be made a part of the Postal Service and operated in conjunction with the mail service. Such a consolidation would unquestionably result in important economies and permit the adoption of lower telegraph rates. Post offices are maintained in numerous places not reached by the telegraph systems, and the proposed consolidation would therefore afford a favorable opportunity for the wide extension of telegraph facilities. In many small towns where the telegraph companies have offices the telegraph and mail business could be readily handled by the same employees. The separate maintenance of the two services under present conditions results in a needless expense. In practically all the European countries, including Great Britain, Germany, France, Russia, Austria, and Italy, the telegraph is being operated under Government control as a part of the postal system. As a matter of fact, the first telegraph in the United States was also operated for several years, from 1844 to 1847, by the Government under authority from Congress, and there seems to be good ground why the Government control should be resumed. A method has already been prescribed for taking over the telegraph lines by section 5267 of the Revised Statutes, which provides that the Government may, for postal, military, or other purposes, purchase telegraph lines operating in the United States at an appraised value. It is hoped that appropriate legislation will be enacted in harmony with this law providing for the taking over by the Government of the existing telegraph systems at terms that shall be fair to their present owners. Every reason for the transmission of intelligence by mail under Government control can be urged with equal force for a similar transmission of telegraphic communications. Because of the more extensive organization maintained by the Postal Service and the freedom from taxation and other charges to which a private corporation is subject, the Government undoubtedly will be able to afford greater telegraphic facilities at lower rates to the people than the companies now conducting this business. Next to the introduction of a parcel post, for which there is already a strong popular demand, the establishment of a Government telegraph system offers the best opportunity for the profitable extension of our postal business." (Annual report of Postmaster General Hitchcock for the fiscal year 1911.)

REPORT OF POSTMASTER GENERAL BURLESON, 1913.

Postmaster General Burleson has included in the Annual Report of the Postmaster General for the fiscal year ended June 30, 1913, the following statement:

"A study of the constitutional purposes of the Postal Establishment leads to the conviction that the Post Office Department should have control over all means of the communication of intelligence. The first telegraph line in this country was maintained and operated as a part of the Postal Service, and it is to be regretted that Congress saw fit to relinquish this facility to private enterprise. The monopolistic nature of the telegraph business makes it of vital importance to the people that it be conducted by unselfish interests, and this can be accomplished only through Government ownership.

"The act of July 24, 1866, providing for the Government acquisition of the telegraph lines upon payment of an appraised valuation, and the act of 1902 directing the Postmaster General 'to report to Congress the probable cost of connecting a telegraph and telephone system with the Postal Service by some feasible plan' are evidences of the policy of this Government ultimately to acquire and operate these electrical means of communication as postal facilities, as is done by all the principal nations, the United States alone excepted.

"The successful operation of the parcel post has demonstrated the capacity of the Government to conduct the public utilities which fall properly within the postal provision of the Constitution.

"Every argument in favor of the Government ownership of telegraph lines may be advanced with equal logic and force in favor of the Government ownership of telephone lines. It has been competently decided that a telephone message and a telegram are the same within the meaning of the laws governing the telegraph service, and therefore it is believed that the statute enabling the Government to acquire, upon the payment of an appraised valuation, the telegraph lines of the country, will enable the Government to acquire the

telephonic network of the country. While it is true that the telephone companies have not complied with the requirements of section 5267, Revised Statutes, this can not be held to nullify the intent of the law, since the non-performance on the part of the Government of any of its constitutional privileges in nowise surrenders the right to exercise these privileges whenever the best interests of the Nation demand.

"Since June last the department has been conducting a careful investigation to determine the desirability and practicability of extending the Government ownership and control of means of communication, with a view to the acquisition by the Government of the telegraph and telephone facilities, to be operated as an adjunct to the postal service. The Postmaster General is now engaged in reviewing data collected, and later, if desired, will submit same to the appropriate committees of Congress for their consideration."

PRESENT SITUATION.

Government ownership of the electrical means of transmitting intelligence is brought to the attention of the American people of 1913 with the indorsement of nearly every Postmaster General since the Civil War, with a score of favorable reports by committees of Congress, and by the example of practically every other nation of the civilized world. More than 70 bills have been introduced in Congress to accomplish it. Meanwhile the private operation of the telegraphic and telephonic facilities has resulted in a virtual monopoly by which the people are annually taxed vast sums for which they receive no adequate return.

(Thereupon, at 5 o'clock p. m., the committee went into executive session.)

Mr. RAMSEYER. That is, would we be more ready to meet to the demands that would be made than the private corporations?

Mr. KOONS. I think they would have more respect for the Government and Government supervision.

Mr. RAMSEYER. You think the employees will make less demands upon the Government than they would upon private corporations?

Mr. KOONS. No; I would not say that; but I think they will respect our decisions more.

COMMITTEE ON THE POST OFFICE AND POST ROADS, HOUSE OF REPRESENTATIVES, *Washington, D. C., Tuesday, January 28, 1919.*

The committee met at 10.30 o'clock a. m., Hon. John A. Moon (chairman) presiding.

The CHAIRMAN. Gentlemen, we called this meeting specially for hearing Gen. Burleson. Of course you understand this is Cabinet day and he has only an hour and a half. No examination ought to last longer than that of anybody.

General, I wish you would state what your opinion is as to the advisability of the passage of this resolution as it is now framed or amended, and how it should be amended.

STATEMENT OF HON. A. S. BURLESON, POSTMASTER GENERAL, UNITED STATES POST OFFICE DEPARTMENT.

Mr. BURLESON. Mr. Chairman and gentlemen of the committee, I presume that every gentleman on the committee understands that I am an advocate of the Government ownership of the telegraph and telephone wire system, to be operated as a part of the Postal Establishment. I believe it is authorized by the Constitution; I

believe it is economically wise to engage on that policy, and I believe that by a proper organization and unification of these wire systems the efficiency of the service can be improved and ultimately a lower rate for the service given to its users.

But Government ownership is not the issue presented by this resolution. I realize, and of course you gentlemen know, that this is a short session of the Congress. However earnest I might have been in my belief and advocacy of the policy of Government ownership, I realized that at this session the time was too short and furthermore we did not have the data to lay before the Congress to enable it intelligently to pass upon that broad proposition. I understand that there has been some inquiry about the genesis of this resolution. I did not write it, but I approve it. My understanding is that this resolution was a development of the wire-control committee and was prepared after conference with many owners of the telephone-exchange systems throughout the country.

Mr. MADDEN. You mean the companies?

Mr. BURLERSON. Yes; the companies. It was finally reduced to writing, then brought to me, and I transmitted it to the chairman of your committee. He made certain changes to make it conform with his own views and then introduced it. When the resolution had been introduced, following the usual custom, the chairman transmitted it to the Postmaster General for an expression of his views. Immediately upon receipt of the same I wrote the chairman of the committee a letter asking him to submit the resolution to the president and general manager of the Independent Telephone Association, who represent and speak for the independent lines which had been taken under control by the Government; also to Mr. Theodore N. Vail, president of the American Telegraph & Telephone Co., commonly called the Bell System, which represents approximately 70 per cent of the telephone service of the United States; also to Mr. Clarence H. Mackay, president of the Postal Telegraph-Cable Co.; and to Mr. Newcombe Carlton, president of the Western Union Telegraph Co.; and to Mr. Jones, who is the president of an independent telegraph company operating in the State of Texas, believing that these gentlemen represented and spoke for all the telegraph and telephone interests which had been taken over by the Government. Your chairman acted on the suggestion. The responses of these gentlemen, representing these various interests, are before your committee. They speak for themselves.

Now, an analysis of the scope and effect of this resolution will conclusively show that, as I have stated, this is in no sense a Government-ownership proposition. Take the first paragraph of the resolution; it simply authorizes a continuance of the Government operation and control under the resolution of Congress, until otherwise ordered by Congress.

Mr. MADDEN. Which means it would not be subject to the President's veto.

Mr. STEENERSON. That really does not mean anything, "until otherwise ordered by Congress." We always have a right to repeal.

Mr. BURLERSON. Oh, certainly.

Mr. STEENERSON. This is not that kind of an act which would require the insertion of that clause, for instance, if you grant a franchise to a company, when it is customary to put in "until otherwise

ordered by Congress." But this does not require that; it is just as good this way as if it did not contain these words.

Mr. BURLERSON. If you will permit, I will explain exactly why the words "until otherwise ordered by Congress" were embodied therein. It did not meet my views, because I believe a definite date should be inserted in this resolution, but I realized that the next Congress was a Republican Congress and if it had been written in (and I am going to talk with you with the utmost frankness and candor), if this resolution had fixed a specific date beyond the period of the next Congress—I know human nature—it would have been immediately changed "Why, he is trying to fix it so as to get it beyond the control of a Republican Congress."

Mr. STEENERSON. Oh, no, there is nothing in that; because we would have that right anyway, whether those words were in there or not.

Mr. BURLERSON. If it had been written in "until otherwise directed by law," that would have given the President the right of veto if a subsequent change was sought; and by putting in here "until otherwise ordered by Congress" it showed that as far as the Post Office Department was concerned it was willing to leave it to the Republican Congress by simple resolution, not necessary to go to the President to terminate the Government operation and control. But as I have stated to you, that is not what I think should be done; I think a definite, fixed date should be inserted.

Now, why is it necessary that a fixed date should be inserted in this resolution and that the extension of the period of control should be granted? You gentlemen understand that for two years, for 18 months, before the Government took over the telegraph and telephone service all extensions and additions to the telephone and telegraph service had practically been brought to an end. The factories supplying equipment and appliances for these companies had slowed down, practically ceased operation. These factories employ thousands of operatives, and this condition exists to-day and will continue, so business men connected with those industrial enterprises and telephone owners—that is, the presidents and general managers of these companies, tell me, until this uncertainty as to the period of Government control is removed. It is necessary if these companies are to make extensions and additions that they have credit. The various wire companies do not carry surplus sufficient to make extensions and additions. It is necessary to go to the banking institutions of the country to secure this credit, and when they go to the banks for the purpose of securing credit, they are confronted with this uncertainty of the period of Government control. They tell me if that could be removed, that the banks would grant extensions of credit to them for the purposes indicated.

Mr. RAMSEYER. If what were removed?

Mr. BURLERSON. The uncertainty of the period of Government control. You know nothing affects credit so unfavorably as uncertainty, and bankers do not know whether this period of control is going to last three months of three years, hence the hesitation and non-action.

Mr. MADDEN. How would it suit you to make it three months?

Mr. BURLERSON. Well, Mr. Madden, if I wanted to force Government ownership, if I was willing to ride a pet hobby to that extent,

disregarding the interest of these companies and the public interest, I would say to turn them back within three months, and as a result there would be confusion worse confounded throughout the telephone service of this country, resulting in disaster to some companies and deterioration of the service.

Mr. BLACK. Why do you say that, General; I would like to be informed as to why there would be confusion worse confounded?

Mr. BURLESON. Because our country is in a period of transition just at this time, going through a period of readjustment from a war basis to a peace basis. There are demands on these telephone companies and telegraph companies resulting in considerable increase in cost of operation. I am informed—you can understand I can not make an investigation of all phases of the questions to satisfy myself to a certainty and that I must take the facts and conclusions expressed to me by men in whom I have confidence—that the wage increase in the telephone service has not kept pace with the wage increase in other industrial lines; that there is a wide variation there, and that the employees of many telephone companies are becoming insistent that some wage increase be granted and be granted at once. And at the same time, Mr. Black, with the complex, contradictory, overlapping control and regulation of the 48 States and thousands of municipalities regulating the matter of rates, it is impossible for the companies to get the increase of rates to meet these increased cost of operation, and the result of immediate return would be they will be seriously ignored or wrecked. I do not know whether all this is true or not, but that is what telephone owners tell me.

Mr. MADDEN. Your statement would lead logically to the conclusion that the Government of the United States would care to continue the control for the purpose of regulating rates to increase the revenues of the companies to meet any demands that might be made upon them; why should the Government act as the means to bolster up these companies?

Mr. BURLESON. It is not exactly to bolster them up. The Government now has control, and the Government can readjust these rates with justice and fairness to the companies and to the public; the Government is in a better position than these companies to determine whether a wage increase should be granted in a particular case or not. Whether all this is true, you gentlemen are just as capable of deciding as I am, but these companies with a uniformity that is startling come here and say "grant this extension of the period of Government control." As I understand it, there are but few who protest against extension, and there are reasons for the opposition of those few. The great majority uniformly come here and assert that it is necessary, speaking from a business standpoint, speaking from the standpoint of their companies, that this period of control be extended. And may I say to you gentlemen that this is no time either for partisanship or for timidity; if these companies are right, if these companies base their insistence for an extension of this period of control on sound grounds, it ought to be granted.

Mr. MADDEN. If sound grounds means increased rates and revenues, is it sound; that is the question?

Mr. BURLESON. Mr. Madden, if it is just and right to increase a rate, then the rate should be raised—the rate should be increased.

Mr. STEENERSON. Right there, Mr. Burleson, under the existing law it has been for many years that interstate telegraph and telephone rates are controlled by the Interstate Commerce Commission and the intrastate rates by the different utilities or railroad or warehouse commissions of the different States?

Mr. BURLESON. It may be.

Mr. STEENERSON. Why are not those bodies, which have been in this business for years and years, a great deal better qualified than some of these high brows and novices that you have gathered around you up there in the Post Office Department?

Mr. BURLESON. I do not know about the high brows—

Mr. STEENERSON. I mean men who are not telephone men and then those who are directly interested, like Mr. Newton Carlton and Mr. Vail, and those men.

Mr. BURLESON. I do not know about high brows and novices. If you refer to the professor of Harvard University, he may be a high brow; or, if you refer to Mr. Bernard, who was the expert adviser of the rate committee, he may be a novice, but my information is he is one of the ablest rate-expert men in the United States. Mr. Vail and Mr. Carlton have nothing to do with rates. Now, you ask me why aren't these various commissions—

Mr. STEENERSON. And the Interstate Commerce Commission.

Mr. BURLESON (continuing). Better equipped to deal with this question than the Government, the postal establishment. That is the very point that I make. Here is a complex situation that these telephone companies are dealing with. The regulation and control is contradictory—it is overlapping—48 States attempting to deal with the same proposition. In one State the utility commission will fix a very low rate and in another State, through some influence, they will fix a very high rate—this being about the greatest difference in different States.

Mr. STEENERSON. Would not that be right, in the sparsely settled State, that they should have a higher rate than in States where they have a very much more compact population; haven't these things got to be adjusted to the local conditions?

Mr. BURLESON. No, Mr. Steenerson; take the toll rate: As far as the long-distance toll rate is concerned, it is comparable to a postal rate. It should be uniform and universal; it should apply to every individual, to every State, and to every section exactly alike.

And whenever you find an individual who sees it otherwise something is wrong with him. What would you think of an individual—a New Yorker—who would insist that the postal rate on first-class matter in New York should be 1 cent and that the postal rate in North Dakota and other States should be 2. Why, at once you would say, "The man's morals are perverted." You would say that man doesn't see things in the light of honesty. He wants his State to have the advantage of a discriminatory rate, the burden of which is to rest upon another State.

Mr. STEENERSON. How does that affect your zone system; does not the zone system violate your principle?

Mr. BURLESON. Absolutely not.

Mr. STEENERSON. That gives different rates to different localities for different distances?

Mr. BURLESON. But not for some distances. It applies to every paper and every magazine exactly alike, regardless of the place of

publication; but, of course, the gentleman will understand that is entirely beside the question. I am perfectly willing to consume your time, if you desire it, by discussing that question. The zone rate applies to every magazine, regardless of where it is published, exactly as it applies to every other magazine.

Mr. STEENERSON. But they complain they are deprived in the West of the eastern literature, because of not having the same rate.

Mr. BURLESON. The distance from San Francisco to New York is no greater than the distance from New York to San Francisco, so the East suffers a like deprivation. And as far as the complaint in the West is concerned, I will say to you that the great majority of the magazines and newspapers in the West are in favor of the zone system; they have insisted on it for years. Those who are intelligent have insisted for years that a flat rate was a discrimination against them, that they could not build up a national magazine in the Central West or the far West, because of the advantages given to magazines in certain large centers in the East, which had not only the many advantages resulting from a close proximity to the wood pulp and paper mills, but were given the same postage rate to subscribers who live in close proximity to the western magazine. The intelligent westerners not only recognized the justice and equity of the present law, but they know instead of it being a sectional law that the old flat-rate system was sectional in its effects, favoring one particular section, so far as the magazine publications were concerned, at the expense of all the other sections of the United States.

Mr. MADDEN. You are talking about toll rates.

Mr. BURLESON. I will get back to the issue—I will not forget—

Mr. MADDEN. I would like to ask you a question on that.

Mr. BURLESON. Just let me finish answering the question of the gentleman from Minnesota and I will be very glad to answer the gentleman from Illinois if I can. Take this toll rate, and I will not even attempt to state what it is, because I did not go into all the factors which entered into its making, and there are various technical intricacies that enter into the making of a telephone rate. But when the rate committee said to me, "Here is a toll rate that is uniform and applies to every section of our country alike," I thought if that were true that it should be adopted, and if the rate proves to be too high, and only experience would demonstrate whether it was too high, it can be reduced a small per cent to a right basis, and can always be easily adjusted so as to meet every situation, applying justly and equitably to all sections of the United States and to all States alike. And it strikes me that the individual who insists upon a lower rate for himself or his State or his section, that his views should not be considered, because such individual desiring such a discriminatory rate, the burdens of which are to be borne by others, his moral views are perverted and ought not to be given consideration.

I understand also that it has been said this toll rate was sectional in its effect. Well, the rate was made by one man from Massachusetts, Mr. Thayer; one man from Ohio, Mr. MacVeigh; one man from Missouri, Mr. Simpson; one man from Maryland, Mr. Lewis; and their advisors, the two high-brows, one from Connecticut and the other one from Massachusetts. You can see what sections had

to do with its making. It is also said that Texas has been given an advantage; I do not know whether that is true or not.

Mr. BLACK. They do not claim so, those who have been writing to me.

Mr. BURLESON. I do not know whether it is true or not; but if Texas has been laboring under a discriminatory rate, I am glad she is relieved—

Mr. BLACK. I do not think they claim any favoritism.

Mr. BURLESON. But I am no more glad than if Maine had been discriminated against and she had been relieved.

Mr. MADDEN. I take it from what you say these rates were fixed on the theory of the morals of the situation?

Mr. BURLESON. No; that was simply one phase of it. But I am glad to tell you that one feature of it was the justice and fairness of it. It was fixed upon the cost of the service as well as the question of what was just and fair.

Mr. MADDEN. The question arises was any consideration given to how much it would increase the revenues of the companies who would benefit by it?

Mr. BURLESON. I suppose there was consideration given to that. I can tell you what the rate committee reported to me. When I signed the order I asked the question: "Is this rate an increase or a decrease?" And the representation was made that in 70 per cent of the cases it either left the rate as it was or slightly increased it and that—

Mr. MADDEN. It is just the reverse of that.

Mr. BURLESON. In 30 per cent of the cases it slightly increased it, but it made it a rate applying to everybody and every State alike. Ought there to be objection to that?

Mr. MADDEN. It makes the toll rate, if I understand it right—I may not understand it—it compels the user of the telephone to pay without being able to get communication in many cases.

Mr. BURLESON. Mr. Madden, it just so happens that is one phase of it about which I can speak—

Mr. MADDEN. That is two phases of it. The main phase, where you do get a person-to-person rate, the rate has been increased on the average 144 per cent, and if you will let me say this one more thing, the expert of the Massachusetts Public Service Commission has stated publicly that more than a million dollars a year, perhaps twice that amount, will be added to the Bell telephone operating company in New England, through the operation of the new toll rates.

Mr. BURLESON. I do not know whether that is true or not, and the only way to determine whether that is true is by trying out this rate. I say to you that I am not dogmatic about this rate; if this rate is too high it will be reduced; if it is too low it will be increased. But you pointed out in your question the difference between the user who did not get the particular person asked for and the user who did get the person.

Mr. MADDEN. Yes; that is the point. I think that a legitimate question.

Mr. BURLESON. My understanding of that is, and it so happens this is one question in connection with that rate matter I can answer, because I did not go into all the details, as I explained. I did ask

about this and this explanation was made me by one of the expert advisors. He says it is a common practice for commercial representatives of certain houses to put in calls and use certain words, and whether they get the particular person or not code words are used and they are able to defraud the companies out of their revenue. By the use of such code messages many frauds are practiced on the companies' revenues and frequently they have presented bills to some of those commercial houses when they had finally fastened this practice on them and were able to collect hundreds of dollars from them. They say this rate remedies that situation.

Mr. MADDEN. If certain commercial practices which are—

Mr. BURLESON. Reprehensible.

Mr. MADDEN. Which are reprehensible and unjust and ought not to be tolerated are in effect, why should a million people for every case of that sort be penalized, that is, a million innocent people?

Mr. BURLESON. I do not think they are. That is not the effect of the rate.

Mr. MADDEN. Why can't you put the penalty on to the men who are practicing that sort of thing without penalizing the man who does not practice it?

Mr. BURLESON. To be perfectly frank with you, I am not able to discuss with you the technicalities of this rate. If you want to discuss the technicalities of this rate I will send gentlemen here who will fully explain it to you.

Mr. MADDEN. We had a gentleman here who pretended to be able to discuss it and he was not able to discuss it any better than you.

Mr. BLACK. Prof. Holcombe.

Mr. BURLESON. He was not on the rate committee.

Mr. MADDEN. He was here.

Mr. BURLESON. He was not on the committee when the toll rate was made.

Mr. MADDEN. He pretends to know all about the psychology of the service.

Mr. AYRES. I do not think he discussed rates or anything of that kind.

Mr. MADDEN. I think he did; I think he discussed that phase of the situation.

Mr. BURLESON. I do not think he was on the committee.

Mr. BLACK. He said he was on the committee.

Mr. BURLESON. When this rate was made?

Mr. BLACK. He was one of the members of the rate committee.

Mr. BURLESON. He did not have anything to do with this rate.

Mr. MADDEN. But he knew about the psychology of the situation, I take it.

The CHAIRMAN. Oh, yes; you have gentlemen who come here and say they represent all the people of the State and utilities commissions of the States; but we know it is not so, because the State has not delegated that power to anybody, and it may be the same way with other matters.

Mr. BURLESON. I want to proceed with the analysis of this resolution. I am perfectly willing to answer questions, whether they relate to the zone system or anything else that might interest the committee.

Mr. STEENERSON. We are more interested in that than we are in a discussion of the details of this resolution. We understand the resolution.

Mr. BURLESON. Of course, Mr. Steenerson, if you are not interested in the discussion of the resolution——

Mr. BLACK. We are.

Mr. BURLESON. I thought that was before you for discussion.

Mr. STEENERSON. I had in mind before you went away to inquire about the origin of the Government control, if I might do that now.

Mr. BLACKMON. Mr. Burleson, on page 4, if you were to strike out lines 4 to 7, would this resolution be satisfactory to you?

Mr. BURLESON. You mean starting on page 1?

Mr. BLACKMON. No; page 2; if lines 4 to 7 be stricken out, would this resolution be satisfactory?

Mr. BURLESON. Mr. Blackmon, I must be satisfied with this resolution, whatever the committee does with it. I think I can make it perfectly plain to you why that paragraph was put in, commencing with the second paragraph. The reasons, as I understood them, why this period of extension should be granted, as far as I can give them to you, I have done so. Now, taking the second paragraph, commencing on page 1, line 10, Mr. Blackmon, "The Postmaster General shall cause to be fixed the appraised value," etc., down to and including the word "Congress," on page 2—now, why were those two paragraphs put in there? Does it commit the Congress in any way? Not at all. It would give to the Congress at some future time such information as could be gathered that would enable it to know approximately what it would cost if it should conclude to enter upon the policy of Government ownership. In other words, it gives you information that is necessary for you to know if you ever seriously consider whether or not the Government would purchase those properties. It does not commit the Congress in the remotest degree; it says that this information shall be gathered and submitted to the Congress for its consideration.

I think I can illustrate the desirability of this by a very homely illustration. If one approached a stream that was swollen and considered crossing it, he might well say, "From the appearance of this stream it is dangerous, and to attempt to cross it might result fatally." But would he reject a chart that some one might offer, saying to him, "Why, here this stream has been sounded and here is the depth at all given points, and here are the locations of all the quicksands and the shoals that are found in it." Now, there would be just as much sense, it strikes me, in rejecting the one as the other. I can understand how some people, terrorized by the thought of Government ownership, might reject this information without any consideration, but really it simply provides for the gathering of important information to lay before you gentlemen for just such consideration as you may see fit to give it. To give another illustration, you might be desperately afraid to handle dynamite, and regard it as extremely dangerous to your life to attempt to handle it; but surely you would not regard the chemical equation for the making of dynamite dangerous, would you? This furnishes only the equation.

Mr. BLACKMON. My question was asking for information. I am for the resolution if they strike out line 4 down to line 7—the Postmaster General is also directed to negotiate contracts, and so forth.

Mr. BURLESON. Mr. Blackmon, if that is stricken out, I still say that the resolution should be passed.

Mr. BLACKMON. I am for it, strongly for it, if that is stricken out—"The Postmaster General is also directed to negotiate contracts for the purchase of any or all telephone lines, together with their property and effects, subject to the approval of Congress." With those lines stricken out, I think the resolution is a good one and ought to pass.

Mr. BURLESON. Mr. Blackmon, if it suits the committee to strike that out, I must acquiesce.

Mr. BLACKMON. With that out, I am in favor of the resolution; I think it is a good resolution and ought to pass. But I am so thoroughly opposed to Government ownership, with that in there I could not support the resolution; and I just wanted to know if that would meet with the approval of the Post Office Department with those lines out.

Mr. BURLESON. I think you ought to have that information, but if you do not want it it is thoroughly satisfactory to me.

Mr. BLACKMON. I just do not want the Postmaster General to negotiate contracts for purchase.

Mr. BLACK. I understood you to state in your opening remarks that this first paragraph here was substantially the same as the present law, the control under which we are operating, except that it extends the time of this control?

Mr. BURLESON. Yes; and I think the date ought to be made definite.

Mr. BLACK. It occurs to me there is this difference. The paragraph as it is written in the resolution says "as an auxiliary to the Postal Service, the Government control, possession, and so on is extended." The present law does not say that these properties shall be operated as an auxiliary to the Postal System, and it occurs to me that this is a very important and a very substantial change.

Mr. RAMSEYER. Isn't it a fact?

Mr. BLACK. Oh, no.

Mr. RAMSEYER. The President's proclamation put it in the hands of the Postal System.

Mr. BLACK. Certainly he did, but with no order that it ought to be operated as an auxiliary to the Postal System. I would like to have some explanation on that point.

Mr. BURLESON. Mr. Black, it is embarrassing in a way to answer that question.

Mr. BLACK. I do not want you to answer if it is.

Mr. BURLESON. I will say to you, Mr. Black, when I transmitted this resolution to the chairman, those words were not in there, so any ulterior motive they might attribute because of those words falls to the ground.

Mr. BLACK. I did not attribute any ulterior motive at all; I just wanted an explanation because it did occur to me that would effect a very important and substantial change.

The CHAIRMAN. I introduced this resolution at the request of the Post Office Department, and I never introduce any resolution that does not meet my approval entirely, whether it comes from the Post

Office Department or anywhere else. I put that language in the resolution myself before I introduced it. The reason I did it ought to be apparent to you, as it is to everybody, that it left beyond question the jurisdiction of this committee and there was possibly some question of the jurisdiction without that language.

Mr. BLACK. I am very glad to have the chairman's explanation.

The CHAIRMAN. I wanted this committee to assume the control of this question, because it is postal and therefore I put language in it that would prevent possibly a contention we were without jurisdiction.

Mr. AYRES. Do you think beginning with line 8, for instance, on page 1, that it might be well, after the word "until" to leave out "otherwise ordered by Congress," and say "two years from the time of the declaration of peace," or "two years from July 1, 1919?"

Mr. BURLESON. Two years from the declaration of peace would still leave it uncertain. I believe there ought to be a fixed, certain, date, and I base that opinion upon representations made to me by business men who own these companies, that they must have a definite, fixed, date in order when they ask credit of banking institutions they can say here is exactly the situation.

Mr. AYRES. Assuming the declaration of peace was made July 1, 1919, would it be all right to make it two years from July 1, 1919?

Mr. BURLESON. Certainly. As far as the length of time is concerned, for which this extension should be granted, there is the greatest diversity of opinion. Some of the companies believe that one year is sufficient; some believe that it should be as long as five years. One company, I think, suggested six years. A very intelligent gentleman by the name of Beam, I think, who is the president of the Ohio Telephone Co., one of the largest in the country, came to me to talk with me about it, and he asked: "Now, what length of time do you think ought to be fixed for this period of extension." I replied: "Mr. Beam, I believe that within two years that this whole situation will have been thoroughly ironed out, and if then the Congress decides to turn them back it could be done with but little injury to these companies." He frankly said to me: "I do not agree with you. We have been discussing it and we think three or four years should be the period." I replied: "I believe it can be done in two years; that is, if such extension is granted; that the interest of all concerned can be properly safeguarded." After that discussion with Mr. Beam I asked the chairman of your committee to wire to Mr. Vail, who I regard as the ablest wire expert in this country. Mr. Vail had been very earnest in urging that there should be a longer period. I asked the chairman to wire Mr. Vail and ask him "What is the shortest period of extension of time in which you think the interests of the companies and the general public can be conserved?" I believe he answered two years, didn't he, Mr. Chairman?

The CHAIRMAN. The telegram is already in the record.

Mr. BURLESON. Of course, it is a matter of judgment. I do not know whether it is best to make it two, or three, or four, or five years; your judgment is probably as good as mine.

Mr. MADDEN. It is all a guess, isn't it?

Mr. BURLESON. It is not a guess, Mr. Madden, it is a matter of judgment.

The CHAIRMAN. There has been a gentleman before this committee as representing the Minnesota Independent Telephone Lines. I have here a telegram received from the Independent Telephone Companies Association of the State of Minnesota. I think they insist upon the return of the property and the fixing of a definite date, and they say that the date ought be the 31st of December, 1920. What do you think of that date?

Mr. BURLESON. That date conforms to about what my idea is. I am in accord with the view of the Minnesota people.

Mr. STEENERSON. It is not the Minnesota people; it is the telephone companies.

Mr. BURLESON. That conforms to my idea of the length of time—that is, I believe it can be done. Some of the ablest wire men and wire owners have thought it will take a longer period of time; but I believe we can safeguard the interests of those companies and the general public within that period of time. The danger of fixing it on the 1st day of January, 1920, is that that is just one month after the new Congress convenes, and the new Congress would not have the opportunity within that time to give the situation full consideration.

Mr. RAMSEYER. The new Congress convenes next December, 1919.

Mr. BURLESON. The next Congress convenes December, 1919; the 1st of January, 1920, is just a month later.

Mr. BLACK. I want to ask this one question: Laying aside this proposition to extend this control for the purpose of effecting certain consolidations, do you not think that the extension of this period until January 1, 1920, would give ample time to adjust the different equities that might exist between the Government and the companies, and to arrange for the turning of them back in a proper way to the companies?

Mr. BURLESON. It might be sufficient time; but the great majority of these companies do not believe so.

Mr. BLACK. On that point, of course, we have a great many industries that would like to have the Government be under them as a supporting power during this period of reconstruction; but do you think that particular matter should receive consideration on the part of a committee of Congress, merely to favor the companies in the matter of financing them?

Mr. BURLESON. I regard this as a question of the greatest interest to the public. The public, the manufacturers, the owners of the great industrial enterprises in this country, are deeply concerned about the character of the telegraph and telephone service they are going to have during the immediate future. They are going to need it in their business, immediately after this war—when it is finally at an end—in order to properly develop their business and secure their part of the foreign trade. To do this it will be necessary for them to have, they must have, efficient telegraph and telephone facilities, and if during this period confusion arises, losses are sustained, and a period of deterioration of plant takes place, and in the end the service deteriorates—which I believe and all these telephone operators believe will certainly follow unless extension of control is granted—you can see that the public is as deeply concerned about this situation as the companies. As I said to Mr. Madden, if I wanted to ride a pet hobby without regard to the public interest or the interest

of these companies, and insure Government ownership, I would say to turn them back at once.

Mr. AYRES. You are right about that.

Mr. BURLESON. But I believe the interests not only of these companies, their financial interests, ought to be guarded and protected, but I believe more so that the interest of the public, the interest of the manufacturers and merchants and commercial men of this country ought to be looked after as far as the efficiency of this service is concerned.

Mr. BLACK. What percentage of the gross receipts of the telephone companies is obtained from local stations?

Mr. BURLESON. I am unable to give you the information on that.

Mr. BLACK. A witness here stated it was 95 per cent.

Mr. BURLESON. I think he is mistaken about it; he may be right, but I think it is nearer 25 per cent.

Mr. BLACK. It occurs to me it would be a very unwise policy for the Federal Government to undertake to assume the burden of financing local enterprises where at least 95 per cent of their entire receipts are obtained locally.

Mr. BURLESON. You gentlemen should keep in mind that these companies must be kept self-supporting. You have not made any appropriation and I must operate them from their revenues.

Mr. BLACK. You will admit that the contracts you are making will obligate the Government, as far as that is concerned, and in the event the revenues of the companies are not sufficient to pay the compensation agreed upon, that the United States Government would be responsible?

Mr. BURLESON. Absolutely. But it is my duty to see that these revenues are adequate; and if it is necessary to raise these rates in order to do that, however much I might regret having to do so, I will not hesitate to do it.

Mr. MADDEN. Of course that would amount to the same thing; you are imposing the burden on the public of maintaining the companies, whether you do it through the Treasury of the United States or levy it against the telephone users.

Mr. BURLESON. That may be.

Mr. RAMSEYER. How do you propose to go at it, to safeguard these companies and the public, if you are given, say, control for a period of two years?

Mr. BURLESON. I do not have to go at it. If this period of uncertainty is brought to an end, the companies themselves will go at it. Many companies want to make additions. As I understand, there are approximately 10,000,000 telephones in the United States, and that the normal increase is from 6 to 7 per cent. Now that growth has been held up. That would be 600,000 a year that has been held up for two years. Many companies want to make additions to their plants, and all that has been held up for two years. I issued an order at the instance of the War Board—

Mr. MADDEN. The War Industries Board.

Mr. BURLESON. The War Department people to bring extensions, installations, and additions to an end, and that was the very purpose of it.

Mr. MADDEN. That was during the war?

Mr. BURLESON. That was during the war, to bring to an end the use of all materials even to the smallest degree; though in a large measure this had already been accomplished. Now, with this holding up of extensions and additions, the factories that are making these appliances for these companies are without work and this condition will continue as long as this period of uncertainty exists. Now, gentlemen, it is up to you; you can judge the situation just as well as I can. If you want to take the responsibility of flying in the face of the advice and the suggestions of these gentlemen who have their money in these plants, and who really believe their property is being jeopardized, you can do so. But I want to say to you that this is not the time for partisanship.

Mr. MADDEN. There is no partisanship about this; I do not think that ought to be injected, and there is nobody injecting that up to the present time except you.

Mr. BURLESON. Oh, no.

Mr. STEENERSON. You are the only man who has mentioned partisanship since these hearings began.

The CHAIRMAN. You may not have used the word partisanship, but anybody who has any sense can see where it is in this committee.

Mr. BURLESON. If I am the only man who has mentioned it, I am sure the members of the committee will bear witness that it is mentioned in the right spirit.

Mr. RAMSEYER. You make the suggestion that the whole trouble is the business men are up in the air because as it is now it is simply indefinite. Now, if it is definiteness they want, why wouldn't a definite time of 90 days be as good as three years?

Mr. BURLESON. I answered that, Mr. Ramseyer, a few minutes ago, by telling you we are in a period of transition and that demands are being made on these wire companies on the one side that would increase operative cost that, if they respond to, requires that certain action must be taken on the other side to prepare them to meet those demands.

Mr. RAMSEYER. What are those demands, now; financial or labor demands?

Mr. BURLESON. All kinds. And with the complex—I want to repeat that phrase—with the complex, contradictory, and overlapping control and regulation of 48 different States, it is impossible for a company to get results.

Mr. RAMSEYER. If you have control for two years longer, of course undoubtedly you are going to coordinate these companies, and as nearly as possible have one service. How on earth are you going to turn them back after that has been done, if Congress decides to do that?

Mr. BURLESON. I am glad you mentioned that. I suppose there must be some wire people in here, because I have made the same talk to all of them. I have universally stated to those gentlemen that it was not my purpose so to conduct these operations as to force Government ownership; I am going to conduct them as best I can from a business standpoint, and if it results in increasing sentiment for Government ownership, then I can not help it; if it results, on the contrary, for a decrease in the sentiment for Government ownership, then we have to take those consequences.

Mr. RAMSEYER. You will admit, General, you can not operate and do not intend to operate these systems for two years without uniting the systems more than they are now, but will operate all these various telegraph companies and telephone companies as one system?

Mr. BURLESON. You mean elimination of competition?

Mr. RAMSEYER. That is one way, the doing away with competitive offices and all that kind of thing.

Mr. BURLESON. I think it is admitted by everybody that competition in the telephone service should be eliminated. I understand there are hundreds of letters pouring into the wire committee from chambers of commerce, boards of trade, civic organizations, and so forth, insisting that consolidation take place. The period for competition in the telephone service is past and every well-informed man recognizes that fact.

Mr. RAMSEYER. You will admit, then, you would not come out at the end of two years the way you entered, and do not want to; you do not think it is for the public good?

Mr. BURLESON. In this consolidation, Mr. Ramseyer, in the agreements between these companies we try to make them make their own agreements that are satisfactory to both of them.

Mr. RAMSEYER. We are not urging this any longer as a war measure; it is just simply to tide these companies over the period of reconstruction?

Mr. BURLESON. It is believed necessary.

Mr. BLACKMON. If that consolidation was made, if that system was worked out, and it was for the interest of the public, and then the telephone companies were turned back to the original owners, they would not dare, then, to make any change in arrangement that would work out to the good of the companies?

Mr. BURLESON. Probably not. Now, gentlemen, as proof of waste of competition I read a statement from somebody. I do not know whether it is true or not, but if it is true it is proof conclusive that the public sentiment, the public opinion, the public thought, is against competition in the telephone service. I read a statement made by somebody that there had been only two cases of the building of an independent exchange in competition with the Bell, or a Bell line, in competition with an independent line within the last five years. If that is true, it shows that the public is educated on the question of competition in the telephone service; the public had reached the conclusion on that subject; and as I tell you, there are hundreds of letters asking that this wasteful, extravagant, vexatious, and annoying competitive service be brought to an end by the consolidating of companies.

Mr. STEENERSON. I would like to call your attention to the fact that the resolution under which the Government took control of the telephone and telegraph lines was not introduced until June 27, 1918, and the act was passed in July, I think.

Mr. BURLESON. Yes; that is my recollection.

Mr. STEENERSON. Now, that was more than a year after we declared war; the declaration of war, I believe, was on the 6th of April?

Mr. BURLESON. The 6th of April, 1917.

Mr. STEENERSON. So that there was a year and three months. Now, were you consulted before this resolution was brought into Congress, before it was brought up by Mr. Sims?

Mr. BURLERSON. I was sent for, Mr. Steenerson, to appear before the Committee on Interstate and Foreign Commerce.

Mr. STEENERSON. But before it was introduced?

Mr. BURLERSON. I know what you have in mind; you do not exactly ask the question, but I will answer it. You want to know whether I instigated the introduction of that resolution. I did not.

Mr. STEENERSON. There was nothing wrong about it.

Mr. BURLERSON. Not at all.

Mr. STEENERSON. But what I want to know is why the resolution was not introduced earlier, and why Congress was not asked to take possession of these wire lines at the same time they were asked to take possession of the railroads?

Mr. BURLERSON. I can not answer you that question; I can not read the minds of those who were responsible for its introduction.

Mr. STEENERSON. I thought, being a member of the Cabinet, you might know.

Mr. BURLERSON. They are very wise men, but they are not mind readers. That resolution was introduced by Mr. Aswell, and Mr. Aswell did not consult me about its introduction, and I did not know it was in existence until it became a live issue. He did come to my office the morning after hearings had been fixed to talk to me about it.

Mr. STEENERSON. The object of taking control and possession of the wire lines was to conserve the national security and defense, was it not, in time of war?

Mr. BURLERSON. You will have to ask the President about that.

Mr. STEENERSON. You do not know?

Mr. BURLERSON. I do not know what operated upon the President's mind.

Mr. STEENERSON. Well, those questions have been part of the administration's policy; he wrote a letter to Congress in favor of this resolution.

Mr. BURLERSON. You can draw such inference from that as you see fit.

Mr. STEENERSON. Being at the head of the Post Office Department, the department that controls communication, can you say whether there was any real necessity for the taking of them over; was there any way whereby the security and defense of the country could be more safely guarded then by taking them over than during the year previous?

Mr. BURLERSON. I am quite sure there was, or the President would never have taken them over.

Mr. STEENERSON. You do not know of anything yourself?

Mr. BURLERSON. Certainly, I know the conditions.

Mr. STEENERSON. In what way did the taking over of these lines secure and preserve the defense of the country?

Mr. BURLERSON. We all know that at the particular moment there was the greatest demand being made by Gen. Pershing for all the material that entered into the construction and operation of these wire systems; we know that in so far as one of the companies was concerned, I think it was along about that time, there was a threatened strike. It is not so fresh in my memory now as it was at that time, but if you will send up and get the hearings before the committee—

Mr. STEENERSON. I simply want it in a general way; I do not want the details—did the taking over of these wire lines of communication tend to further the security and defense of the country by, for instance, preventing this general propoganda and the blowing up of factories?

Mr. BURLESON. I do not know. That is a matter that did not address itself to me as I was not the one to pass on it.

Mr. BLACKMON. Will the gentleman from Minnesota permit me to ask a question: Is the gentleman complaining of the manner in which the war has been handled and is being settled?

Mr. STEENERSON. I do not propose to go into a side issue like that. The gentleman can reason that out for himself.

I want to know if the taking over of the communication of the wire lines further secured the defense of the country in time of war, whether the same reason will continue after peace has been declared, or will it be based upon another reason entirely?

Mr. BURLESON. It is not being contended now that this extension should be granted for war purposes; that is not the intention at all. I have evidently expressed myself very poorly if you have gotten that impression from what I have said.

Mr. STEENERSON. Why, the Post Office Department, in its annual report, has contended for a number of years that the Government should have a monopoly of all communications of intelligence.

Mr. BURLESON. I would be delighted to discuss that with you, Mr. Steenerson, but that is beside the issue.

Mr. STEENERSON. You could not answer it briefly?

Mr. BURLESON. Certainly I could answer it briefly. I have always believed that all means of communication should be under the postal establishment. The Government is now exercising a monopoly over a part of the transmission of intelligence, and here are two other instrumentalities that have been invented since the Constitution that are vehicles or means for the transmission of intelligence as much so as the transmission of intelligence on a written paper; and I believe it all should be a part of the postal establishment. And I have been in good company on that proposition; some of the ablest Republican Postmasters General have recommended it before I ever recommended it. I believe it is not only authorized, as I stated in the beginning, by the Constitution, but I believe it is economically sound, and I believe there should be a unification of these services and a consolidation of them with the postal establishment, and that thereby we could not only give better service but that we could in the end give cheaper service. And I have believed that for years.

Mr. STEENERSON. Don't you recognize there is a difference between communication by sealed letter and communication by these wires?

Mr. BURLESON. Certainly. One is by means of electricity and the other is a writing on paper; that is all.

Mr. STEENERSON. One is secret and confidential between the sender and receiver, whereas these others are always known to those gentlemen who handle them.

Mr. AYRES. There is also a difference between postal cards and sealed letters.

Mr. BURLESON. They, of course, may be known to those who handle them, but otherwise communications over the wire are secret, and we

want to make them still more secret. And one of the first things I did after the Government took possession was to urge Chairman Moon to introduce a bill making it a penalty, a severe penalty, for anybody—

Mr. STEENERSON. We have already discussed that; I was on the committee that perfected that bill.

Mr. BURLESON. I am glad you understand it.

Mr. STEENERSON. But on the general philosophy of the matter, do you contend that it is necessary for the Government, through the Post Office Department, to have a complete monopoly of all means of the communication of intelligence?

Mr. BURLESON. I have said that I believe it is wise for the Government to return to that course; but that is not the issue here at all. The issue of Government ownership is not involved in this resolution in the slightest.

Mr. STEENERSON. Oh, the first step is involved, certainly, in this resolution, because there is a clause here authorizing you to appoint a committee to make a bargain.

Mr. BURLESON. Information gathered for the consideration of the Congress.

Mr. STEENERSON. Oh, yes; but there would be no use if we were against it to pass that provision?

Mr. BURLESON. Why, certainly, to such it would not be of any use, but to the man who keeps an open mind and would be willing to respond to reason it might be of some use to him.

Mr. STEENERSON. Not if we spent the taxpayers' money for the purpose of making a bargain with the owners and reporting at what we could buy it, so long as we did not intend to buy it, wouldn't that be folly?

Mr. BURLESON. Of course, it would be folly if you intended to take no action upon it; it would be folly to take the step if everybody had their minds made up. And I frankly say to you if everybody had his mind made up it ought not to be done; but if you want information necessary to consider to assist in forming an intelligent conclusion I think you ought to have it.

Mr. STEENERSON. Have you considered the matter of political influence—the control it would give the Postmaster General of the United States if he exercised a monopoly of all means of communication between the people of the United States, so that they could not communicate in any other way?

Mr. BURLESON. I have considered every phase of it, and so far as political influence of the Post Office Department is concerned there has been an earnest effort on my part, however much my sincerity may have been questioned, to take the Post Office Department out of politics.

Mr. STEENERSON. I have never said anything to the contrary; in all of my remarks you have never found I was criticising the Postmaster General for political bias in his service. But this is a larger question; this is a service which concerns the comparative decision of the citizens of the Government which, in this absorption of all this power, would seem to be all powerful; and that influence, it seems to me, would destroy the very foundations of free institutions.

Mr. WOODYARD. Mr. Burleson, in the comparatively short time that the Government has had control of these lines, what are the

conditions that have been brought about that would cause them to be so demoralized and turned over? Here are other large business industries that have to go through this period of reconstruction and the point I want to get at is why is it necessary that these telephone and telegraph lines, which, as I believe, and as the public generally think, were at least on a fair financial basis before the Government took them over—what reason exists, if we should fail to pass his resolution extending this time, that they should be so utterly and thoroughly demoralized and, as you say, that the business people of this country believe that they would suffer by it—the public?

Mr. BURLESON. I have not said that the business was utterly and thoroughly demoralized.

Mr. WOODYARD. I might have made that a little bit stronger than you put it.

Mr. BURLESON. And I do not think any burdensome conditions have been imposed upon these companies that put them at a disadvantage. I have tried to place before you and make plain the reason this period of extension should be granted. It is that during this period of reconstruction, not only the interest of these companies would be protected, but that the interest of the general public who use the telegraph and telephone service would be protected. If, during this period of reconstruction, these companies are not able to continue their business and make extensions and enlargements and additions, and if the conflict comes between demands upon them, upon the one side increasing costs of operation, and their inability to get an increase of rates upon the other side to meet those demands, then confusion results, and it will result in loss and deterioration of service.

Mr. WOODYARD. Why can't they do that; what are the conditions that prevent them?

Mr. BURLESON. I will repeat it again, Mr. Woodyard: The thing that makes it utterly impossible for them to do it is lack of credit and the contradictory, overlapping regulations of 48 different States that they have to deal with when they ask relief.

Mr. AYRES. And several thousand municipalities?

Mr. BURLESON. And several thousand municipalities. They can not deal with the situation.

Mr. MADDEN. They did succeed in building up this system of the telegraphs and telephones by individual initiative with all that State control, didn't they?

Mr. BURLESON. Yes, Mr. Madden; but I believe that the period of reckoning was rapidly coming. I will not tell what some of these independent companies have said to me, when they first interviewed me after the Government took charge of these wires. It would do no good to repeat what they said, but the period of reckoning was coming with them; they had reached a period of stress where they could not have stood much longer.

Mr. MADDEN. Is the Government of the United States bound to prevent the elimination of concerns that have not the ability to stand up under pressure? That is the question.

Mr. BURLESON. These utilities are performing a public service; there is a public interest to be safeguarded. It is absolutely neces-

sary for the business men of this country that they should have efficient postal service, telephone service, and telegraph service, and if these companies are handed back and what they expect happens, then a period of deterioration takes place. Many of them believe they will be bankrupt and the service will deteriorate, and to that extent the public will be seriously injured.

Mr. BLACK. On that point, General, do you not believe that the Nation is now definitely facing a period of decline of high prices of commodities?

Mr. BURLESON. I think there should be a decline in the price of commodities.

Mr. BLACK. Don't you think there will undoubtedly be a decline in the price of commodities—and a very substantial one—that enter into the cost of construction and rehabilitation of these lines?

Mr. BURLESON. That brings on more talk. Under the proclamation of the President guaranteeing the price of wheat for 1919, up to June, 1920, issued at a time when it looked as if the war was going to go on and we would need the wheat, if that prevents in this country a decline in the market price of wheat, it would result in preventing a readjustment of the prices of every other commodity that is affected by the market price of wheat. That would keep up prices. I do not see how these prices can go down so long as \$2.20 a bushel is the market price of wheat.

Mr. BLACK. Why, the prices are going down on butter and other commodities, aren't they?

Mr. BURLESON. That may be.

Mr. MADDEN. Butter went down 15 cents a pound and eggs went down.

Mr. BLACK. And cotton went down 10 or 15 cents a pound.

Mr. PAIGE. I would like to ask a question. I would like to know where the demand for this legislation comes from, whether the public, the telephone companies, or the Post Office Department?

Mr. BURLESON. I do not suppose you were here when I gave the genesis of this resolution. This resolution originated, as I understand it, with the wire-control committee after consulting with many of these telephone owners. It originated with the committee.

Mr. PAIGE. Then I would assume that it is in the interest of the telephone companies?

Mr. BURLESON. No; not in the interest of the telephone companies alone; it is partially in the interest of the telephone companies and partially in the interest of the public.

Mr. PAIGE. It certainly can not be to the public interest, because the testimony here from Minnesota and elsewhere was that the result of the operations so far had been to increase the rates, which they were protesting.

Mr. BURLESON. Mr. Paige, let me ask you a question if you do not object. I do not know that that is true, but if it is true and Minnesota was receiving a lower toll rate than all the other States of the Union, do you think that that condition ought to be continued or ought it to be put on a parity with all the other States of the Union?

Mr. PAIGE. I should say that depended largely on local conditions out there.

Mr. STERLING. I understand it is your contention that by a reasonable extension of time the public will not be much injured by

these processes, and that it will give the department information to present to the succeeding Congress or the succeeding one. They will have sufficient information that will enlighten the public on the question of Government control or ownership at a later period; that this extension of time will afford both those things?

Mr. BURLESON. Of course, it would give that information if these two paragraphs were left in the bill; it would give us the broadest measure of information.

Mr. STERLING. I am supposing if you strike those out.

Mr. BURLESON. If you strike those out, the department would be in no better position to furnish information at the end of the time.

Mr. STERLING. I am asking with the resolution as it is now, and then I want to ask you if you have another thought in your mind. It is common knowledge now that among the people in this country we have an ultraradical class throughout the United States that is in favor of Government ownership and control of most all public utilities and public-service corporations; then we have a conservative class that is opposed to any control or ownership; and then we have a middle class that possibly favors the control of some. Do you think in this case, as in most other cases, that the very great majority of the American electorate are attending to their own business and are not intelligently passing on these questions, and do not do it until something is brought about, and that when that time comes they want the facts presented to them in a concrete shape?

Mr. BURLESON. And with all the information.

Mr. STERLING. And then they will decide this question?

Mr. BURLESON. With all the information at hand.

Mr. STERLING. Precisely; and that the American people, when they really get that information, they control the Congress and Congress is ready to do their will. For instance, about a month ago the President came to the Congress—we will have to admit a very intelligent and reputable body since we are part of it—and he said he had no plan about the railroad system, and handed it back to us, and we haven't any. And only yesterday a Member of the United States Senate introduced a resolution to prevent the President from handing back the railroad proposition to the railroad owners until some plan should be worked out. And it can not be worked out now; and what a very great majority of the American electorate wants is the inside facts, because they are busy attending to their own business. And once they get the facts they will decide for the Congress on that one issue.

STATEMENT OF MR. CARL D. JACKSON, CHAIRMAN OF THE RAILROAD COMMISSION OF WISCONSIN.

Mr. JACKSON. I appear on behalf of the people of the State of Wisconsin, the governor, and the legislature. I want to state just the facts in the State of Wisconsin. There is no competition in the telephone business in Wisconsin; the reports to the railroad commission of the State of Wisconsin show that the telephone companies are prosperous in the State, and the Bell phones, as well as the others, admit at the present they do not need any increased revenue.

I wish to state, and leave with you, that the proposed new rates for telephone service in the State of Wisconsin show an increase of

100 per cent. I wish to leave with you, if I may be permitted, our examination of the representative of the Bell Telephone Co. before the commission on the proposal of these rates; and I do that in connection with this thought, that Mr. Burleson said it would be unjust to burden one community with the losses sustained in other communities. I wish to state here that on behalf of the Bell Telephone Co. it appears from this testimony that it was the position of the Bell Telephone Co. in the State of Wisconsin that, although the rates were low, they were perfectly remunerative within the State; that the State of Wisconsin's rates should not be raised to make up losses in the other parts of the country.

In regard to the finances of the State of Wisconsin and of the telephone companies within the State, I will say this—that every telephone company, with perhaps some minor exceptions, and every Bell telephone and the larger independents in the State are all perfectly capable of financing themselves at a perfectly low rate of interest; their securities stand very high and would be very gladly taken by the public for any extensions that are necessary.

I will further state that in this record it appears the Wisconsin railroad commission said they would be glad to increase any rates necessary in the face of increased costs they may have, if it were necessary, and would give them a speedy hearing on it; and that the telephone companies said they did not desire a hearing before the commissioners as to whether their rates were low or high.

(The report submitted by Mr. Jackson is as follows:)

REPORT BY MR. JACKSON.

BEFORE THE RAILROAD COMMISSION OF WISCONSIN.

In the matter of the application of the Wisconsin Telephone Co. for the approval of the order of the Postmaster General No. 2495, dated December 13, 1918, fixing charges and classifications for toll service.

Present: Commissioners C. D. Jackson and H. R. Trumbower.

Pursuant to notice fixing time and place of hearing in the above-entitled matter for the 20th day of January, 1919, at 10 o'clock in the forenoon of that day at the office of the railroad commission, in the capitol, Madison, Wis., the following appearances were entered:

Miller, Mack & Fairchild, by Edwin S. Mack, on behalf of Wisconsin Telephone Co.

J. A. Pratt, secretary Wisconsin Telephone Association, in its behalf.

Thereupon the following proceedings were taken:

Commissioner JACKSON. Gentlemen, we will proceed.

MR. MACK. I will ask the commission to take notice and make a part of the record the proclamation of the President of the United States of July 22, 1918, pursuant to the joint resolution of the Congress of the United States, dated July 16, 1918, by which he takes control of the telephone business of the United States and places it in charge of the Postmaster General, Albert S. Burleson. I have a copy of that here if the commission wishes to have it marked as an exhibit.

Commissioner JACKSON. I suppose that you offer that subject to any objection that might be made—if anybody was appearing to oppose your application on behalf of the telephone users—to the effect that it was immaterial, etc., because it did not authorize the Postmaster General to make intrastate rates nor deprive the railroad commission of Wisconsin of the authority vested in it by the constitution of the State of Wisconsin and the laws, and therefore we will allow it to be filed and receive it, subject to that objection, the same as though the objection were formally made on behalf of the people of the State.

MR. MACK. I assume that a proclamation of the President of the United States, being an official communication, need not be offered in evidence, but

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would be a matter of which the commission would take notice in the nature of a judicial notice by a judicial body, would it not? Does the commission desire a copy of it for its files?

Commissioner JACKSON. If you will, leave a copy if you have it. You have offered it in evidence.

Mr. MACK. That is received, is it not, subject to that objection?

Commissioner JACKSON. Yes.

(Document entitled: "By the President of the United States, a proclamation," received in evidence, subject to objection, petitioner's Exhibit 1.)

Mr. MACK. I present, and ask to be marked for identification, a copy of the postal bulletin of the United States, dated December 18, 1918, consisting of two sheets, Volume XXXIX, 11,832, and ask that it be marked Exhibit 2, sheets 1 and 2.

(Document entitled: "United States Telegraph and Telephone Administration Telegraph and Telephone Service Bulletin No. 22, marked petitioner's Exhibit 2, for identification.)

Commissioner JACKSON. This is technically and generally known as Bulletin No. 22.

Mr. MACK. It contains Bulletin No. 22, but it is the official bulletin of the Post Office Department. That, so far as I know, is the only official method of promulgation of the order.

Commissioner JACKSON. It will be received subject to the same objection that was made as to any application to intrastate rates or any right of the Postmaster General to make intrastate telephone rates.

(Petitioner's Exhibit 2 received in evidence subject to objection.)

Mr. MACK. In offering this Exhibit 2 in evidence, I am offering it for the purpose of presenting to the commission and offering in evidence so-called telegraph and telephone service Bulletin No. 22, which is set forth in this official postal bulletin, and which is the same as Exhibit "A" attached to the petition in this matter. Mr. Trumbower asked me by telephone for some additional copies of this Bulletin No. 22, and I have, at his request, brought here, I think, the number he asked me for, 10 copies, which I hand to the commission. [Handing copies to commissioner.]

Commissioner TRUMBOWER. These are simply copies of your Exhibit "A" attached to the application?

Mr. MACK. Yes; that is right. I might state to the commission that so far as the Wisconsin Telephone Co. is concerned here it is, of course, operating only as an agency of the Postmaster General, and as part of the control of the telephone system by the United States under the joint resolution of Congress of July 16, 1918, referred to. That, so far as we see it and as determined by Judge Hand in the case of the Commercial Cable Co. against the Postmaster General, a state of war still exists; that the war powers of the Congress are in full force and they cover the taking over of means of communication for all purposes and all manners if deemed necessary by the Congress, and that is deemed necessary here. That the amount of income as well as expenditures of the entire system taken over by the Government necessarily must rest with the Federal Government, and that therefore there is no jurisdiction in anybody—any State body, I should say, to interfere with the method of Government control or the rates fixed by the Government.

In making this statement as the position, as I personally understand it—the time for hearing has been so short that I have had only time this morning to receive a brief containing the position of the solicitor of the Post Office Department—and while stating my general views I do not wish to preclude the addition of such further arguments and reasons in favor of the action of the Postmaster General as may subsequently be suggested, either by further study myself or by the official counsel of the Post Office Department.

Commissioner JACKSON. I would like to ask you a question right there, please, Mr. Mack. The organization of the Wisconsin Telephone Co. remains intact—

Mr. MACK. In that connection—

Commissioner JACKSON. Just please answer if it does, yes or no, as to the people who are handling the matters for the Wisconsin Telephone Co.

Mr. MACK. So far as I know there has been no change made in it. I am speaking of that merely because I should not want my statement to be a conclusive admission, but so far as my information is concerned it does remain so, and in that connection—

Commissioner JACKSON. I will just ask you to answer the question. You may put in anything else you desire afterwards. Now, the Wisconsin Telephone Co. has toll lines throughout the State of Wisconsin, has it not?

Mr. MACK. It owns such lines; yes.

Commissioner JACKSON. It has regional directors in charge of its telephone system throughout the State, do you know—district managers?

Mr. MACK. It has a manager in charge of its business throughout the State acting under direction—

Commissioner JACKSON. I am just asking whether it has such district managers in charge of the State—

Mr. MACK. That is not quite an accurate designation. It has a district manager in charge of certain districts of the State; the district managers report to the general manager in Milwaukee; so far as any features are concerned he is in charge under the general orders of the president and operating vice president of the company in Chicago.

Commissioner JACKSON. I am not asking where they receive their orders, but so far as they have charge of the State, although they may be under somebody else.

Mr. MACK. I will explain after I have—I will offer in evidence a bulletin which will perhaps show something.

Commissioner JACKSON. I would like to ask this question: The charges for toll or for local service are collected through the same local instrumentalities of the same set of officers as has been in vogue for a great many years, is that not so?

Mr. MACK. My understanding is that is the fact, but I should like it to be stated that the facts which I am stating are simply those as I believe them to be. I have no knowledge, I merely mean to say I have certain impressions and certain beliefs and I am willing to state those, but I have not kept up with the intimate details of it and I have not before me the entire file of the Postmaster General's bulletins which control the matter.

Commissioner JACKSON. Now, bills are sent out to the users in the various parts of the State where the Wisconsin Telephone Co. makes collection either of tolls or of local charges by certain local agencies of the Wisconsin Telephone Co., is that not so,

Mr. MACK. That is my understanding.

Commissioner JACKSON. That is still being done?

Mr. MACK. Yes. Let it be understood that with reference to all these answers I will simply state my belief and understanding which may not be correct in details.

Commissioner JACKSON. Bills are sent out and collected still, as previously, in the name of the Wisconsin Telephone Co., is that not so?

Mr. MACK. That is my understanding. I present here a copy of Telegraph and Telephone Service Bulletin No. 2, and ask it be marked Exhibit 3.

(Document entitled "Telegraph and Telephone Service Bulletin No. 2" marked for identification Petitioner's Exhibit 3.)

And offer it in evidence. Will it be received?

Commissioner JACKSON. Petitioner's Exhibit 3 will be objected to by the commission on behalf of the people of the State of Wisconsin—they may not be personally represented by appearances—with the same objections as made to the previous exhibits that they are incompetent and immaterial and that the jurisdiction of the State of Wisconsin over intrastate telephones, either local or toll, has not been changed or modified and still remains as previous to the proclamation of the President or the orders of the Postmaster General.

(Petitioner's Exhibit 3 received in evidence subject to objection.)

Mr. MACK. I assume, if it please the commission, that the commission knows and there is no question that the Wisconsin Telephone Co. is still one of the companies under the operation of the Postmaster General. I did not bring any of the officers of the company out to testify to it, although I understand that is personally the fact.

Commissioner JACKSON. Yes. I understand the Postmaster General claims some control under these proclamations, etc., of the Wisconsin Telephone Co. operation.

Mr. MACK. I am under the impression that the commission has in its records a copy of the contract between the Postmaster General and the American Telephone & Telegraph Co. and its affiliated companies, including the Wisconsin Telephone Co. I request that I may be permitted to withdraw the postal bulletin, substituting a copy of the Telephone Bulletin No. 22. This is the official

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copy from New York and I am pledged to return it, the substitute to be marked Exhibit 2.

Commissioner JACKSON. The substitution will be permitted, subject to the same objection on the part of the commission. Have you offered in evidence all the exhibits you desire to offer in evidence?

Mr. MACK. I am just trying to get into communication with Chicago to see whether or not there will be any other exhibit that perhaps I ought to offer in connection with my Exhibit 3. Unless there be such, I have no further evidence that I wish to offer.

Commissioner JACKSON. Subject to that, I would like to ask, if I may be permitted to, one or two questions that you may be able to answer.

Mr. MACK. I will be glad to answer them, and subject to my understanding and subject to correction if not accurate and not as necessarily showing the facts.

Commissioner JACKSON. Mr. Mack, is this application made to have the commission determine whether the toll rates in the State of Wisconsin are remunerative or unremunerative and for the purpose of having the commission fix remunerative rates in the State of Wisconsin? Please answer the question, if you can, yes or no.

Mr. MACK. I believe the toll rates in Wisconsin separately not to be remunerative. I do not—

Commissioner JACKSON. That is not the question.

Mr. MACK. Pardon me just a second. I do not know the facts. I believe, however, that this application to the commission is in the nature of a presentation of action of the Postmaster General to the commission for the commission's cooperation rather than for the purpose of asking an independent investigation, because my own opinion is that, in view of the war situation and the management of the telephone system by the Postmaster General, the toll rates are being determined for the country—that is, the United States as a whole—and it would seem to me at least that the question of whether or not toll rates in Wisconsin or any other State separately are remunerative or unremunerative would not be a material element for a State commission's action after the Postmaster General has acted; that his determination that these rates are necessary for the country as a whole is conclusive on each part of the country.

Commissioner JACKSON. Now, Mr. Mack, undoubtedly you would want to say what you have said as, perhaps, part of your own independent statement to the commission, even though a motion had been made to strike out your answer as nonresponsive, so it would be allowed to stand and we will come back to the question again. Will you please state whether or not this application is an application to the Railroad Commission of Wisconsin to fix rates in Wisconsin on a remunerative basis on the ground that the toll rates in Wisconsin are not remunerative; and please answer it yes or no.

Mr. MACK. I do not think either yes or no would accurately answer the question, but no would be more near an accurate answer than yes.

Commissioner JACKSON. You do not propose to present at this hearing any evidence of unremunerative toll rates in the State of Wisconsin, do you?

Mr. MACK. I do not.

Commissioner JACKSON. You have no facts and figures with you to show that the rates in Wisconsin are not on the whole remunerative? Isn't that a fact?

Mr. MACK. That is the fact; and I should like to explain why, if I may be permitted.

Commissioner JACKSON. You, of course, will be given a chance. Mr. Mack, I think that I can state on behalf of the commission that the commission takes the position that if the toll rates in the State of Wisconsin are unremunerative or discriminatory that the commission stands ready to hear an application to readjust them and change them and make them proper rates on proper showing and after a proper hearing. Do you desire such?

Mr. MACK. Does the commission mean by that statement the intrastate toll rates in Wisconsin as considered independently from other telephone rates in the United States?

Commissioner JACKSON. I mean by that in fixing the question of intrastate toll rates in the State of Wisconsin any question relating to toll rates which are material in fixing intrastate toll rates in Wisconsin will be considered by the commission.

Mr. MACK. It is my understanding that in view of the present—

Commissioner JACKSON. If you will read the question, please, as it was originally, then you will understand my explanation so I can refresh your recollection of the question.

(Question read: "Mr. Mack, I think that I can state on behalf of the commission that the commission takes the position that if the toll rates in the State of Wisconsin are unremunerative or discriminatory that the commission stands ready to hear an application to readjust them and change them and make them proper rates on proper showing and after a proper hearing. Do you desire such?")

Commissioner JACKSON. On behalf of your clients, do they desire such?

Mr. MACK. So far as I am advised at present we desire to make no further showing than the showing we are making at present. It is my personal understanding that the order of the Postmaster General is conclusive evidence of the fact that the intrastate rates, toll rates in Wisconsin, considered in the way they ought to be considered in time of war and in view of the act of Congress and the President's proclamation, are not remunerative.

Commissioner JACKSON. May I take it that the record shows in effect that your answer to the question is no?

Mr. MACK. No. That is not my answer to the question.

Commissioner JACKSON. Is your answer yes?

Mr. MACK. My answer is that we have already presented the conclusive reason why the toll rates in Wisconsin must be increased.

Commissioner JACKSON. I ask the question be answered yes or no, because we will immediately start our own investigation and give you the earliest possible hearing on the question of toll rates if you so desire, but we will act only after a reasonable investigation.

Mr. MACK. If it is the purpose of the commission's question to ask whether we desire a hearing on facts other than the order of the Postmaster General I should say my personal advice is that the company, acting under direction of the Post Office Department, does not.

Commissioner JACKSON. Mr. Mack, are you in a position to state whether in case this application is refused by the railroad commission of Wisconsin, there being no further evidence to be offered by you, whether you propose at midnight to-night and your clients, in case we shall before midnight to-night refuse this application, to collect the toll charges in accordance with Bulletin No. 22?

Mr. MACK. I do not know what the telephone company intends, but I can state this, that it is my opinion as a matter of law that under the order of the Postmaster General the officers of that company will be required to do that, and if my advice as counsel were asked I should be compelled to advise them to do it, but I am not in position to say what they intend to do or what they will do.

Commissioner JACKSON. Can the State and the railroad commission assume that at midnight to-night, in case this application shall be refused, that, regardless of the refusal by the railroad commission to grant the application, the telephone company will proceed in the State of Wisconsin to make collections and to charge in accordance with Bulletin No. 22?

Mr. MACK. I can't answer that any further than I have answered it heretofore.

Commissioner JACKSON. When can we get that information?

Mr. MACK. I have a long-distance call for Chicago now. I would ask what answer could be made to it, but I think the answer I have made to the commission states the theory of law that I, as counsel of the company, believe in.

Commissioner JACKSON. We would appreciate it, Mr. Mack, if it is not asking you to go outside of your professional duties, and we don't want to ask you to do anything like that, if it is consonant with your official position in this case to secure that information for us during the day?

Mr. MACK. So far as I am counsel for the telephone company I could say it is my opinion as a matter of law that inasmuch as the Wisconsin Telephone Co. is acting under direction of the Postmaster General, and by virtue of an act of Congress, and that order of the Postmaster General directs that these rates go into effect at this particular day, I personally do not see how they can do otherwise than carry that out. If my advice is asked, I will simply state, you are an official instrumentality and you have to obey the orders of the Federal department under which you are acting. Just as the postmaster in Madison would have to refuse to deliver a letter if the Postmaster General so ordered it.

Commissioner JACKSON. If you can get the positive information, will you be willing to give it to us?

Mr. MACK. Absolutely, if I can get it; I will be glad to give it to you.

Commissioner JACKSON. There are many short-distance telephone connections throughout the State of Wisconsin which are not under the control of the Bell Co. or the Wisconsin Telephone Co., are there not?

Mr. MACK. Which are not being operated through the Wisconsin Telephone Co. by the Postmaster General?

Commissioner JACKSON. No; that are being operated or are companies which it is assumed that he has now control of.

Mr. MACK. The Postmaster General, yes; but not through the Wisconsin Telephone Co. As I understand, the Wisconsin Telephone Co. is operating for the Postmaster General only the property which it owns—only its own property.

Commissioner JACKSON. It don't own anything yet.

Mr. MACK. The Wisconsin Telephone Co. does.

Commissioner JACKSON. Oh, yes.

Mr. MACK. I say only the Wisconsin Telephone Co. is operating for the Postmaster General the property owned by the Wisconsin Telephone Co.

Commissioner JACKSON. What I asked is, Do you know from your knowledge of the situation whether there are many small rates throughout the State of Wisconsin for short distances under 10 miles and along there by some of the smaller thousand companies or so in the State of Wisconsin, where the rate will be as to them made unreasonable and noncompensatory if the order of the Postmaster General is put into effect?

Mr. MACK. Well, I don't know anything about the elements of unreasonable or compensatory, but I assume the Postmaster General's order will have effect on all the telephone lines operated by the Government, including those of companies other than the Wisconsin Telephone Co. in Wisconsin, but I don't see how any question of unreasonableness or compensatoriness to any one particular company can be involved because the Federal Government is operating all the lines as a whole and making payment to the local companies, each on its own contract and irrespective of the revenues and expenses; that is as I understand the situation.

Commissioner JACKSON. You have come to the point I wish to ask you about. Is it the position of the Postmaster General that, regardless of the effect on the smaller companies throughout the United States, that he can put them in a position of unremuneration because the larger companies will make large remunerations through these increased toll rates, regardless of the effect on the smaller companies throughout the State of Wisconsin?

Mr. MACK. I do not understand how that can possibly be the intention, because as I understand the Postmaster's order affects only lines under Government operation, and in those lines and as to those lines the remuneration is fixed by contract, or otherwise under the act of Congress between the Postmaster General and the company involved, and the entire revenue goes to the Government and the entire expenses are paid by the Government.

Commissioner JACKSON. Would the action of the Postmaster General, if carried into effect, be to so scramble and disorganize the working capacities and tolls and rates of some of the smaller companies in some places as to practically drive them out of business and make them, if they are to live, become a part of the Bell Telephone Co.?

Mr. MACK. I don't believe it can have that effect possibly, but I haven't made any analysis of it, and I could not bear cross-examination on the subject, but it is my belief, from what I know of the telephone business in Wisconsin, that that could not possibly be the effect. May I add a statement, the question was asked with respect to production of earnings and expenses in Wisconsin. It is my understanding that the earnings and expenses in Wisconsin alone do not become the controlling factor under Government administration and after the Government has fixed a Nation-wide rate, and that therefore on an application of this kind the question of the intrastate earnings in Wisconsin are not a material element for consideration by this commission.

Commissioner TRUMBOWER. In other words, you mean if there are any deficits in Texas they should be made up in Wisconsin.

Commissioner JACKSON. That is the point. Do you take the position, Mr. Mack, then, or does the Postmaster General of the United States take the position, that even though it should be a fact that the toll rates intrastate and connected with the State of Wisconsin are even of themselves fully remunerative that they must be raised if there are deficits either in New England,

Florida, or the West, and that the rates intrastate in the State of Wisconsin are to be fixed by the earnings and operating revenues and operating expenses throughout the United States?

Mr. MACK. I can't answer as to the Postmaster General's intent, but I do not believe he has any such intention as that in mind.

Commissioner JACKSON. If these rates are being put into force and effect because they are necessary throughout the United States and if it appears from the return to the Railroad Commission of the State of Wisconsin, made by the Wisconsin Telephone Co., that the rates in the State of Wisconsin are in and of themselves and have been remunerative, what other conclusion can there be but that the rates in the State of Wisconsin are being raised to make up deficits in other parts of the country?

Mr. MACK. I am not able to speak for the Postmaster General, of course, but the reasons I personally—some reasons which I personally might see, although they are not necessarily conclusive, are that the needs of the Government in war time probably require the operation of the entire systems as a whole, and that treating the systems as a whole there might be differences of opinion as to how the expenses of operation should be allocated between different portions of the country.

Commissioner JACKSON. I show you, Mr. Mack, a protest which has been received from the chamber of commerce of the city of Milwaukee, and show it to you for your perusal. Will you please mark it "Commission's Exhibit A," and then after you have perused it we will offer it subject to such objection as you may make. [Handing protest to counsel.]

(Protest of chamber of commerce marked "Commission's Exhibit A" and received in evidence.)

Commissioner JACKSON. The position of the commission is that we stand ready and willing to hear any application with relation to the fairness or discrimination or the reasonableness of toll rates in the State of Wisconsin, intrastate; that we are ready at any time to hear such matter and to make the necessary investigation and act thereupon within a reasonable time; that we now stand open to receive from you any evidence of any name or nature which you may wish to introduce here to show that either the present toll rates intrastate in the State of Wisconsin are unreasonable, unremunerative, unfair, or unjust, or discriminatory, and if you desire to introduce such evidence, it will now be received.

Mr. MACK. If I understand the commission's position correctly, it probably means that the commission is prepared to receive such further evidence as we may wish to offer.

Commissioner JACKSON. We have received none yet as in our view of the fact.

Mr. MACK. My own judgment is there has been sufficient evidence presented to the commission to leave no course open for the commission, as a matter of law, except to regard these rates as properly in force. I have just communicated with the vice president of the Chicago Telephone Co. in order to ascertain whether there had been any change in this Telegraph and Telephone Bulletin No. 2, Petitioner's Exhibit Three, and I find that it is not changed. I am also informed by him, while he is not in position to state, in the absence of any further directions, what will or will not be done in any event, yet that the telephone company is making all its plans and all arrangements to put the rates ordered by the Postmaster General, as set forth in Order 2495, in effect at the time stated in that order.

Commissioner JACKSON. When is that time, Mr. Mack?

Mr. MACK. I think it is 12.01 a. m., January 21. It is set forth in this Petitioner's Exhibit 2—12.01 a. m., January 21, 1919.

Commissioner JACKSON. Now, Mr. Mack, the commission then feels justified, and, as far as we know, they are rightly justified, in feeling that these rates will go into effect unless some contrary order is issued before midnight to-night.

Mr. MACK. That would be my guess, although you see it may seem as if I am trying not to answer questions, but I am really not the person in control, and I am not speaking conclusively. I am trying to give the commission, with great frankness, the exact situation, and I am giving my opinion and my guesses, but I can not do more than that, because my authority is limited.

Commissioner JACKSON. But you have talked with one who would know if they were not to go into effect, have you not, the vice president of the Wisconsin Telephone Co.?

Mr. MACK. And he has told me the company is making all its plans to put the order into effect at the time stated.

Commissioner JACKSON. Is there anybody here that desires to give any further evidence in this hearing? We will hear anybody in regard to it, either pro or con. If not, the hearing is closed; and, Mr. Mack, the commission has consulted here, and I am authorized to state that the application will be, and hereby is, refused, and a formal order to that effect will be entered to-day. The order will also contain a specific order from the Railroad Commission to the Wisconsin Telephone Co. ordering and directing them not to put these rates into effect.

Mr. MACK. I want to call the commission's attention to the fact that the prayer of this petition is a presentation of the order to the commission, with a prayer that the commission take such action as it deem proper in regard to the rates that are in effect.

**STATEMENT OF MR. H. LEE SELLERS, PRESIDENT OF THE TELE-
POST CO., NEW YORK, N. Y.**

Mr. MADDEN. What is your business?

Mr. SELLERS. I am the president of the Telepost Co.

Mr. MADDEN. What is that?

Mr. SELLERS. It is an independent telegraph system that has been held back for many years. I am not here to speak about my company.

Mr. MADDEN. Is it in active service?

Mr. SELLERS. It has been until very recently. It is ready to proceed now.

I have an ax to grind and it is the ax of the American public. This measure should be passed giving a definite, specific, time in order to make improvements which I know are among the developments which these gentlemen under Gen. Burleson are working out, and which should be tested. I think we should be clever enough to accept this challenge on their part. They have given us a challenge to let them show what they can do. If they can make a reduction in the rates, if they can improve the service, if they can bring in new services which they have in mind, if the Government finally takes over the ownership, those will continue, and if the Government does not you can depend on it our people at home, the American public, will not allow a curtailment of any improvements made by the Post Office Department. They have started in with the idea of two years. You gentlemen know perfectly well, as is well known to all of us, that nobody thought this war would end in less than two years. And they have started in to do such things on the basis of having two years and they have been in their swaddling clothes, as it were, and now they want to have a definite date established, to get away from this uncertainty, which you know they should have.

Now, the telegraph business has been very badly congested. Some four or five hundred thousand telegrams were found in three days that could not be carried by wire and were carried in dress-suit cases between New York, Boston, and Washington.

Mr. MADDEN. That is being done to-day by the post office, under Government control, isn't it?

Mr. SELLERS. Yes, sir; absolutely; and it is being done to-day because the Government has not the wires to handle the business.

Mr. MADDEN. If it isn't a crime now, was it such a crime then?

Mr. SELLERS. You understand I only have five minutes.

Mr. MADDEN. I am a member of the committee and I have a right to ask questions.

Mr. SELLERS. I simply stated the congested condition of the telegraph lines demand something in the way of improvement. And as to the statement made by some gentleman a little while ago, the companies were built up before any State commissions took charge. Mr. Madden, that was your question a moment ago; these companies were built up—the independent telephone companies—before any State commissions were formed. And now the period of big business and starved lines has gone on, which is very bad for the lines. I know myself, and if you have traveled over the country you will have seen the many poles that have been cut down and dropped a little lower, and cut down and dropped a little lower, until the wires are very near the ground. And the companies are in a very bad fix, and the big ax I have to grind is that the American public shall have good telegraph and telephone service, which is impossible unless something is done to unify them and cut out waste and cut out competition.

Mr. BLACK. I understood you to say that the telephone companies are in a bad fix, and I understand that the American Telegraph & Telephone owns 70 per cent of all of them?

Mr. SELLERS. Yes.

Mr. BLACK. And a few days ago they marketed \$40,000,000 or \$50,000,000 worth of securities, which were oversubscribed three or four times?

Mr. SELLERS. Yes; but with the rates of their stock dividends decreasing gradually for the last few years. But the point is these gentlemen of the Post Office Department have studied this question very thoroughly, and they know it very well, and they are looking at it from the present point of view; not from the financial point of view, but from a world-wide point of view.

Mr. MADDEN. How do you know that?

Mr. SELLERS. I am acquainted with them personally and know them very well.

Mr. MADDEN. Have you been identified with the work of those gentlemen?

Mr. SELLERS. No; not at all.

Mr. MADDEN. Then you really do not know?

Mr. SELLERS. Except as I have had an opportunity to observe the hard work they have done.

Mr. MADDEN. We have been trying to find out and we have not been able to find out with all of our inquiries.

Mr. SELLERS. They simply challenge you to give them a chance to show what they can do, and it will be of interest and benefit to accept their challenge and give them a definite fixed period. I favor more than two years.

Mr. MADDEN. Do you favor increasing the postal, telegraph, and telephone rates, in order to do the things you suggest?

Mr. SELLERS. I do not think they will require to be increased.

Mr. MADDEN. They have already been increased.

Mr. SELLERS. That is temporary; certainly they have been temporarily increased, but it is their ultimate hope, belief, intention, and desire to reduce those rates, and those rates can be reduced.

Mr. WOODYARD. That is, they must be increased first in order to get a reduction?

Mr. SELLERS. Not necessarily. Of course, that may be true, to carry you through three or four months, that they might have to increase the rates for a short period.

Mr. MADDEN. I think you said you knew something about the financial troubles of the companies. Do you know where the Post Office Department is going to get the money with which to pay the obligations to the companies, whether out of the receipts of the companies or out of excess rates?

Mr. SELLERS. The economies that may be introduced by cutting out so many overhead expenses and cutting out so many offices will go a long way to meet the excess expenses.

STATEMENT OF MR. P. J. WEIRICH, MONROE, WIS.

Mr. WEIRICH. While I am officially representing the Wisconsin State Telephone Association, which is composed of approximately 400 telephone operating companies, representing about 25,000 stockholders and \$7,000,000 of investments, we are unable to say that we officially represent the telephone-using public in the State of Wisconsin. We do claim, in the presentation of the brief which we intend to file with you, that we represent the interests of the telephone-using public, for the reason that the presentation of our case is based entirely upon a reciprocal relationship between the individual rendering the service and the sender and receiver of the service.

At this time I wish to ask the privilege of filing this brief with you, and I will furnish each member with a copy so as not to take your time. It seems to a large mass of the smaller companies of the country—and I am sorry the Postmaster General is not here to hear me say this—that he is laboring under a wrong impression of the necessity of help from the Government; that is, it may be true a few of the larger individual companies are in need of this help; I am unable to say as to that. But we are close to the public, and the mass of semirural companies are the companies which have developed the business among the people and we are perhaps in closer touch; and I am inclined to think—and I say it unselfishly—the individual who is closer to the public appreciates their reciprocal position better; that is, that the public appreciates his position. And for that reason I would like to ask, in place of presenting the case here, for instance, I wanted to call your attention to this letter from Mr. Vail to Mr. Moon, but in place of taking the time to do that here, there are certain interpretations of that letter which should be enumerated.

Mr. RAMSEYER. You say you want to give every member a copy of that brief?

Mr. WEIRICH. Certainly; so that they will have the brief.

Mr. RAMSEYER. You are against continued control in that brief?

Mr. WEIRICH. I am. I think the quicker the better—let me be definite on that—with the exception, possibly, of some of the larger companies, for which I can not speak; but so far as the entire State of Wisconsin is concerned, I do speak for the companies in the State of Wisconsin.

Mr. BLACK. Would you think it would work any material harm to the companies to extend the period to January 1, 1920, so as to make it definite?

Mr. WEIRICH. The desire of the smaller companies and of the companies which have actually made the vast development desire a quick return. I do take exception here also to the statement that the Bell companies, I believe, control 70 per cent. I would like to ask you to investigate that and see if they do not include the so-called sublicensees. If that is true, they would not represent those companies; they have not the authority to represent those companies in such a conference as this.

Mr. MADDEN. What do you think about the time when these properties ought to go back to the owners?

Mr. WEIRICH. I think 90 days is very, very, much better—I mean for the companies and for the public.

The CHAIRMAN. Ninety days after the war?

Mr. WEIRICH. I should say 90 days after to-day.

The CHAIRMAN. You do not agree with the great majority of the companies, then, on that question?

Mr. WEIRICH. I think I do with the very vast majority. I do not think they have been represented here.

The CHAIRMAN. I ask you whether you know about it or not. We can tell from the hearings whether that is true.

Mr. WEIRICH. You can tell from the representations to you gentlemen of the Senate or perhaps the joint committee, and you can tell by following them publicly.

The CHAIRMAN. No, this is not a joint committee; this is the committee on the Post Office and Post Roads of the House of Representatives.

Mr. AYRES. Has the Government control now of the smaller companies?

Mr. WEIRICH. Yes, sir.

Mr. AYRES. They have?

Mr. WEIRICH. With the exception of the so-called wholly mutual companies, which are very, very minor for the reason that the so-called mutual companies, almost all of them, do come under this just the same.

Mr. RANDALL. Your companies employ, I presume, young women to operate the exchange switchboards, as a rule?

Mr. WEIRICH. We do, sir.

Mr. RANDALL. What wages do you pay them, on an average?

Mr. WEIRICH. You mean in dollars and cents, or comparatively to other wages?

Mr. RANDALL. What wages do you pay in a week to these young women?

Mr. WEIRICH. You mean in dollars and cents?

Mr. RANDALL. Yes.

Mr. WEIRICH. We pay—I am speaking of the companies throughout the small towns, with a population, say, of 5,000, for instance—our wages range from \$30 to \$50 a month for the ordinary switchboard operator.

Mr. AYRES. That is in the smaller towns?

Mr. WEIRICH. Yes.

Mr. RANDALL. About \$7 to \$12 a week?

Mr. WEIRICH. Yes; I should judge about that.

Mr. RANDALL. Do you consider that a fair wage?

Mr. WEIRICH. No; I do not say I consider that a fair wage.

Mr. RANDALL. That is what you pay?

Mr. WEIRICH. Yes, sir.

Mr. RANDALL. From \$7 to \$12 a week?

Mr. WEIRICH. Yes, sir.

Mr. AYRES. What rate do you pay in the larger towns—of 10,000 or less?

Mr. WEIRICH. Are you asking for the wages of the large towns, now?

Mr. AYRES. Yes.

Mr. WEIRICH. I do not think I am competent to answer that question, because, as I say, I represent the 400 companies operating usually in the smaller towns—towns of 5,000.

Mr. AYRES. To increase those wages, you would have to do what?

Mr. WEIRICH. We would have to increase the rates and they would be increased where they were justifiable and where the justification could be shown.

Mr. BLACKMON. Do you regard a salary of \$7 or \$12 a week for a woman who is capable of handling a telephone switchboard as a proper wage?

Mr. WEIRICH. No, sir; I don't. In the first place, those are beginners. You mentioned the minimum salary. That is now being cared for by State legislation.

Mr. BLACKMON. As a telephone man, don't you think the telephone companies throughout the country pay a poorer wage than any other business in the country?

Mr. WEIRICH. No, sir; I do not agree to that.

Mr. BLACKMON. What concern pays a less wage than is paid to the employees of the telephone companies?

The CHAIRMAN. Does the Government pay the telephone operators more money for their services now than the companies paid before, or is it just the same?

Mr. WEIRICH. So far as I know they are paid the same wage.

The CHAIRMAN. You say the operator is getting exactly the same wage now under the Government as he got when it was controlled by the telephone companies?

Mr. WEIRICH. So far as I know they are; so far as I know the wage is still controlled by the companies.

Mr. BLACKMON. What dividend does your company pay in Wisconsin?

Mr. WEIRICH. Seven per cent. You understand this is not just the one company. I speak of my own company. The average dividend I think is about 7 per cent.

Mr. MADDEN. I want to offer two letters I have for the record. One of these letters is from Clarence H. Mackay. This is written to Mr. Bethel, chairman of the operating board of the United States Telegraph & Telephone Administration, and dated January 25. He says:

POSTAL TELEGRAPH-CABLE CO.,
New York, January 25, 1919.

UNION N. BETHELL, Esq.,
Chairman Operating Board,
United States Telegraph and Telephone Administration,
195 Broadway, New York.

DEAR MR. BETHELL: Referring to your letter of the 23d instant, in the matter of the recent order of the Postmaster General respecting increases in telephone toll rates, and which were to go into effect on the 21st instant, my understanding of our conversation of last week, at which Mr. Bruch was present, was that we were to look into the matter at once and that Mr. Bruch was to ascertain and inform me of the effect the adoption of the new rates would have upon us, and on my return I was to communicate with you. During my absence from town the last few days this whole telephone rate increase has reached such a situation that one does not seem to know how to act. I would, however, say this: That the Postal Co. is prepared to put these new telephone rates into effect under protest, but we would first inquire as to what the Postal Co. is expected to do in regard to these new telephone rates in States where the public-service commission objects to them or where the laws of the State prohibit any change except on approval of the public-service commission of the State. So many of the States have already objected and some have applied for injunctions, and others threaten to do so, that it is impossible for us to know just where to put these new rates into effect and where not. For instance, the Public Service Commission of Michigan threatens the imposition of penalties if the order of Postmaster General Burleson is obeyed by the telephone companies in that State. We do not think we can reasonably be called upon to make changes in States where we would be liable to prosecution and penalties if it should turn out that the changes were made in violation of the laws of that particular State.

We see no occasion for raising long-distance telephone rates, and whatever we do will be done under protest because we have grave doubt as to the legality of such an increase in telephone rates by the Postmaster General now, whatever might have been his justification while the war was actively going on. And while it undoubtedly would be of great advantage to the Bell Co. to raise long-distance telephone rates, particularly in the South and on the Pacific coast, where we are in competition in giving that service at lower rates, allow me to say that I do not think the public will approve of it, and that I believe it is against public policy. I am,

Very truly, yours,

CLARENCE H. MACKAY,
President.

Here is one more letter. This letter is written by George G. Ward, vice president of the Commercial Cable Co., dated January 25, 1919, and addressed to the Postmaster General of the United States. He says:

THE COMMERCIAL CABLE CO.,
New York, January 25, 1919.

HON. ALBERT S. BURLESON,
Postmaster General, Washington, D. C.

SIR: We have received from the war department of the British Government the following order:

1. Government messages handed to either company should be sent over the route of that company, unless this course is likely to give rise to delay, in which case the Post Office should be advised.
2. There is to be no interference with existing censorship arrangements at any of the company's stations in the United Kingdom.
3. His Majesty's Government do not agree to either company allowing control of its stations, staff, or working in the United Kingdom by the other company or by any person acting directly or indirectly on behalf of the other company or on behalf of the United States Government.

You will notice that the British Government forbids our placing the Commercial Cable Co. or its cables under the control of its competitor, the Western Union Telegraph Co.

In view of this will you kindly inform me as to what position you take in regard to the matter.

Yours, very truly,

GEORGE G. WARD, Vice President.

Mr. STEENERSON. I received from Mr. Elmquist this morning communications which are opposing Government ownership or continued control, as proposed by this resolution. There is one telegram from Virginia, and letters from Kansas, New Jersey, Oregon, New York, Louisiana, Oklahoma, and New Mexico. Many of them inclose copies of the legal documents—that is, the complaints—that they have filed to enjoin the Post Office Department from carrying into effect their proposed higher rates. While I do not want to ask anything unreasonable, I am simply advising the committee some of these letters are very interesting and to the point, and they are brief. Perhaps the legal documents should not be printed, but I think the telegrams and letters, which would only cover three or four pages, should be printed in the hearings.

RICHMOND, VA., January 27, 1919.

CHARLES E. ELMQUIST,

Solicitor National Association of Railway and Utilities Commission,

Washington, D. C.:

The State corporation commission of Virginia desires to go on record as favoring the immediate return of telegraph and telephone companies to private ownership, and desires further to protest most earnestly against the recent orders of the Postmaster General increasing telephone toll rates. Please file this telegram with the Moon committee at the hearing on Tuesday next.

S. L. LUPTON, *Commissioner.*

STATE OF KANSAS,
PUBLIC UTILITIES COMMISSION,
Topeka, January 25, 1919.

HON. CHARLES E. ELMQUIST,

724 Eighteenth Street NW., Washington, D. C.

DEAR MR. ELMQUIST: The commission endeavored to arrange to be represented at the several conferences called by you at Washington, but owing to change of personnel on the commission and the legislature being in session, together with a large amount of extra work on hand, it seemed impossible for any member of the commission or its counsel to leave the State.

As to the question of governmental ownership of the wire systems, will say that as a general proposition the commission is opposed to any plan which contemplates the governmental ownership and operation of all of the wire systems in the Nation. It might possibly be advisable for the Government to operate and own radio systems and portions of the telegraph and toll systems. We are thoroughly of the opinion, however, that governmental ownership of all the wire systems would not only be impracticable and unwise, but would result in a deterioration in the present standard of service, increased costs, and entail many undesirable political conditions, all of which should be avoided, if possible.

There is one proposition upon which the commission has very strong convictions, and that is that intrastate toll and local exchange rates, standards, and rules of service should be left within the jurisdiction of State commissions, in accordance with provisions of State laws now in existence; and that it is wholly impracticable and undesirable for the Federal Government to initiate and control said local rates and rules.

Attached hereto we hand you a copy of bill of complaint recently filed by this commission in the United States district court of Kansas which will fairly represent the opinion of the commission on questions therein involved.

We would be glad to have you present these views to committees of Congress considering this question, or have them presented by whomever appears before such committees. Any general statements that the representatives of State commissions may make along these lines we will subscribe to and authorize you to present the same as hereinbefore suggested.

With personal regards, I am

Yours, very truly,

JOHN M. KINKEL, *Chairman.*

STATE OF NEW JERSEY,
BOARD OF PUBLIC UTILITY COMMISSIONERS,
Trenton, January 20, 1919.

In re increased toll rates for telephone companies:

HON. CHARLES E. ELMQUIST,
*President National Association of Railway
and Utilities Commissioners, Washington, D. C.*

DEAR SIR: I send you herewith a copy of the statement issued by the Board of Public Utility Commissioners of New Jersey which refers to the board's action in issuing orders suspending increases in rates of the New York Telephone Co., Delaware & Atlantic Telegraph & Telephone Co., and American Telephone & Telegraph Co., these companies being part of the Bell system and operating in New Jersey. Under the New Jersey law the board has authority to order increases suspended for a period of three months. The board's orders of suspension therefore require the suspension of the increases until April 20, 1919.

Very truly, yours,

A. N. BARBER, *Secretary.*

STATE OF NEW JERSEY,
BOARD OF PUBLIC UTILITY COMMISSIONERS.

STATEMENT ACCOMPANYING ORDERS.

In the matter of suspension of increased charges for telephone service within the State of New Jersey:

The law of New Jersey provides that when any public utility shall increase, change, or alter its rates the board shall have power "to hear and determine whether the said increase, change, or alteration is just and reasonable. The burden of proof to show that the said increase, change, or alteration is just and reasonable shall be upon the public utility making the same. The board shall have power pending such hearing and determination to order the suspension of the said increase, change, or alteration until the said board shall have approved said increase, change, or alteration not exceeding three months. It shall be the duty of the said board to approve any such increase, change, or alteration upon being satisfied that the same is just and reasonable."

Public utilities as defined by law include, among others, every individual co-partnership, association, corporation, or joint-stock company, their lessees, trustees, or receivers appointed by any court whatsoever, that now or hereafter may own, operate, manage, or control within the State of New Jersey any telephone plant or equipment for public use, under privileges granted or hereafter to be granted by the State of New Jersey or by any political subdivision thereof.

The board is of the opinion that the Postmaster General in operating telephone companies in New Jersey is subject to the laws of the State respecting such companies, unless Congress possesses the power to relieve him of compliance therewith and has exercised such power.

The Postmaster General acts by appointment of the President in accordance with a joint resolution of Congress authorizing the President to assume control of telephone systems and operate the same for the duration of the war. This resolution contains a proviso to the effect that nothing therein "shall be construed to amend, repeal, impair, or affect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers, or regulations may affect the transmission of Government communications or the issue of stocks and bonds by such system or systems."

Lawful police regulations of the States are such regulations as the States may lawfully make in the exercise of their police power. The courts in numerous decisions have held that the regulation of rates is a lawful exercise of the police power. It is not pertinent, and therefore unnecessary, to discuss whether Congress in providing for Federal operation of telephone companies had power to declare State laws affecting these companies to be null and void. The fact is that Congress expressly declared that its act should not be construed to impair or repeal such laws in relation to lawful police regulations. Unless and until it is declared by a court of competent jurisdiction that the suspension of increased charges for telephone service is not a lawful police regulation the

board must assume the Postmaster General, as well as the telephone companies operated by him, are subject to provisions of the New Jersey statute with respect to charges for such service.

There is nothing before the board to show that with respect to any of the telephone companies operated in New Jersey the increased charges ordered would be reasonable. With respect to the New York Telephone Co., they appear to be much in excess of the rates necessary to meet operating expenses and fixed charges and provide an ample net return. The Postmaster General does not claim that the Government needs additional revenue from telephone operation and that increases are made for this purpose. In response to a letter to the Postmaster General protesting against the increase, the Solicitor of the Post Office Department has advised the board that the rates prescribed by the order of the Postmaster General are the result of study by the committee on standardization of rates of the Post Office Department; that it is intended they shall be "applied throughout the country by all companies operating under Government control and without especial reference to its immediate effect in individual localities by reason of special conditions therein prevailing, so that this department is not advised as to the probable results which will flow from the application of this new schedule in the State of New Jersey."

The board is not advised as to the personnel of the committee referred to. It has received no prior notice of the study being made by such committee. So far as the board has been informed, the committee has not given any public hearing and has not sought information from or consulted the records of the commissions of the several States. It seems to us that before placing the burden of greatly increased charges upon the users of telephones the Post Office Department should have been advised of "the probable results which will flow from the application of this new schedule" not only in New Jersey but in the other States as well.

It is the board's opinion that unless and until reasons not yet advanced are given why the new rates should become effective they should not be allowed. In so far as they apply to service within the State of New Jersey they will be suspended. Appropriate orders will issue.

Dated January 20, 1919.

BOARD OF PUBLIC UTILITY COMMISSIONERS,
By JOHN W. SLOCUM, *President*.

[SEAL.]
Attest:

ALFRED N. BARBER, *Secretary*.

I hereby certify the foregoing to be a true copy of statement accompanying orders adopted by the Board of Public Utility Commissioners suspending increases in rates of the New York Telephone Co., Delaware & Atlantic Telegraph & Telephone Co., and American Telephone & Telegraph Co., and ordered filed by said board.

_____, *Secretary*.

STATE OF MINNESOTA, County of Ramsey:

In district court, second judicial district. The State of Minnesota, plaintiff, v. The Northwestern Telephone Exchange Co., defendant.

The defendant's special appearance and objection to the jurisdiction of the court having been overruled, and the plaintiff's motion for a preliminary injunction having been presented and heard,

It is ordered that the motion be granted, and the defendant herein is enjoined and restrained during the pendency of this action and until the final determination thereof from continuing in force the installation or service-connection charges and charges for moves and changes put into effect on December 1, 1918, and more particularly referred to in the complaint herein, and from collecting the same from any telephone subscriber, and from putting into force and effect the proposed schedule of toll charges effective January 21, 1919, referred to in the complaint herein, or any other schedule of toll charges or other telephone charges, except the schedule now on file with the railroad and warehouse commission of the State of Minnesota, and from making any charge for telephone service to its patrons or the public generally other than or different than those filed with and approved by said commission as provided by chapter 152, Laws, 1915.

FREDERICK N. DICKSON,
District Judge.

Dated January 20, 1919.

STATE OF MINNESOTA, *County of Ramsey:*

In district court, second judicial district. The State of Minnesota, plaintiff, v. The Tri-State Telephone & Telegraph Co. and George W. Robinson, defendants.

The defendants' special appearance and objection to the jurisdiction of the court having been overruled, and the plaintiff's motion for a preliminary injunction having been presented and heard,

It is ordered that the motion be granted, and the defendants herein, and each of them, are hereby enjoined and restrained during the pendency of this action and until the final determination thereof from continuing in force the installation or service-connection charges and charges for moves and changes put into effect on December 1, 1918, and more particularly referred to in the complaint herein, and from collecting the same from any telephone subscriber, and from putting into force and effect the proposed schedule of toll charges effective January 21, 1919, referred to in the complaint herein, or any other schedule of toll charges or other telephone charges except the schedule now on file with the railroad and warehouse commission of the State of Minnesota, and from making any charge for telephone service to their patrons or the public generally other than or different than those filed with and approved by said commission as provided by chapter 152, Laws, 1915.

FREDERICK N. DICKSON,
District Judge.

Dated January 20, 1919.

PUBLIC SERVICE COMMISSION OF OREGON,
Salem, January 21, 1919.

HON. CHARLES E. ELMQUIST,
Secretary National Association Railway and Utility Commissioners,
Washington, D. C.

DEAR SIR: Supplementary to our telegram of January 20, 1919, and in further answer to Bulletin No. 19, re Federal control and ownership of telephones and telegraphs:

Without discussion as to whether or not it has been demonstrated that a "real war necessity" ever existed for Federal control of the wires, and eliminating for the purposes of this communication the jurisdictional question, relative to the authority of the Postmaster General during the actual prosecution of the war to legally enforce his orders in purely intrastate matters, we will, as requested in Bulletin 19 of December 30, outline our views on the questions submitted, keeping in mind, and at the same time directing your attention to the fact that this commission is now engaged in an extensive investigation of the reasonableness of certain exchange rate advances sought to be made effective throughout Oregon.

Primarily, during the active prosecution of the war, little complaint was registered by Oregon citizens, through patriotic motives, against either the policies or effects of Federal control of the wires. But with the signing of the armistice and the cessation of war, patrons of these utilities anxiously looking forward to the fulfillment of the earlier promises of "better service and lower rates" sought relief from intolerable conditions through appeal to their commission, when service became demoralized and increases in rates were filed.

Pending the determination of the reasonableness of the request for additional exchange revenues, the administrative authority complicated this question by filing toll rates, heralded at least as reductions; also it is our information that the major phone utilities, through contracts with the Government, receive a guaranteed return, while others of minor size but rendering like service, are not so fortunately situated. Further, a doubtful method was followed when the recent arbitrary assessment of the so-called "installation charges" of \$5, \$10, and \$15 were imposed, based on the monthly rental charges which it must be conceded was neither reasonable nor just.

With due consideration of the thoughts as outlined above, coupled with the fact that the chief, if not the sole advisers of the Postmaster General, are high officials of the telephone and telegraph companies, and a knowledge of the chaotic conditions prevalent generally, the commission believes, in justice to the hundreds of thousands of Oregon's citizens, that there is only one logical answer to questions A and B, and we express it in the opinion that the properties should be promptly returned to the owners, and that the period of Federal con-

trol should not extend beyond the signing of the proclamation of peace, if, indeed, it could not be equitably abrogated before.

Continuation of Federal control for any appreciable period of time might easily permit the arbitrary establishment of high-rate schedules without either proper investigation or an opportunity for the patrons to be heard, in which event it is not beyond the bound of possibilities that the burden of proof as to the reasonableness thereof would be shifted from the utilities where it belongs to the people.

Many factors enter into a final answer of question C relative to the effects upon service of Federal control, but with full consideration of all factors and from every viewpoint there is a governmental responsibility that can not be evaded, and while unquestionably certain policies of the utilities may have been responsible for varied service conditions, it must be remembered that these policies were formulated by, under the direction, or with the consent and knowledge of the Federal administrative officer. As a consequence, the only logical deduction is that Federal control has operated to affect service, and as illustrative of this service we quote from P. S. C. Or. No. 472 of this commission, entered November 25, 1918, after formal investigation and hearing—

"That the service afforded by said The Pacific Telephone & Telegraph Co. to its patrons within the State of Oregon, and particularly in the city of Portland, is unjust, unreasonable, insufficient, and inadequate."

Answering questions D, F, and G briefly and in reverse order: Some confusion has resulted from the infringement upon certain rules, regulations, and practices of the commission; consolidations and economies of operation are more theoretical than actual, and will have no appreciable reflection one way or the other in the revenues; telephone operators' wages have been somewhat advanced, but with a caution that approaches cunning; a string has been attached by those in authority to withdraw the salary increase if advanced rates do not become effective.

Question E deals with toll and exchange rates, and inasmuch as this commission now have these matters formally before us, we hesitate to express an opinion. We advise, however, that a somewhat similar toll schedule to the one recently prescribed has been in effect in Oregon for many months, but an analysis of the two not having been made to date, we are unable to make an equitable comparison at this time.

Answering question H: While this commission at all times actively co-operated with the Federal authorities in carrying out the governmental program for the prosecution of the war, we insistently presented our contentions to Members of Congress, various Federal commissions, and officials whenever we had reason to believe that injustice resulted from the orders promulgated; yet, animated by a desire to in no way embarrass the administration, we hesitated to formally raise the jurisdictional question.

With the cessation of war activities, the pursuits of peace again become paramount. Our citizens are entitled to the fullest protection, and the underlying reason for delay in action no longer obtains, and should the occasion arise and our cause be just we shall have no hesitancy in questioning the authority of the administrative officers on intrastate matters, and carrying our case, if need be, to the highest court of the land.

Concluding, your attention is directed to the fact that the absorbing question at present in Oregon is more particularly the telephone situation. Therefore this letter, while in many ways applicable to both telephone and telegraph companies, refers more frequently to the rates and conditions of the phone utilities.

Yours, very truly,

PUBLIC SERVICE COMMISSION OF OREGON,
By FRED G. BUCHTEL, *Chairman*.

STATE OF NEW YORK,
PUBLIC SERVICE COMMISSION, SECOND DISTRICT,
Albany, January, 23, 1919.

MR. CHARLES E. ELMQUIST,
Secretary National Association of Railway and

Utilities Commissioners,
Washington, D. C.

DEAR MR. ELMQUIST: As you may have observed, we are proceeding against the New York Telephone Co. in the Supreme Court of the State of New York

for mandamus or injunction to restrain it from putting into effect the Postmaster General's toll rates, on the ground that they have not been initiated according to the laws of this State by the filing of a tariff with the commission.

I have been uncertain until this hour whether or not I could go down to Washington to-morrow, and I find that I will be unable to do so. I gather, however, from your telegram that the matter will occupy several days, and I would be glad to hear from you any time if we can be of assistance.

Yours, very truly,

CHARLES B. HILL, *Chairman.*

RAILROAD COMMISSION OF LOUISIANA,
Baton Rouge, January 18, 1919.

MR. CHARLES E. ELMQUIST,
*President National Association of Railway and
Utilities Commissioners,
Washington, D. C.*

DEAR SIR: I beg to confirm my telegram of this date, reading:

"The Railroad Commission of Louisiana in the interest of the welfare of the traveling and shipping public of the State of Louisiana unalterably opposes an extension of the period of Government control as proposed in the Moon joint resolution or by any other act of Congress. This opposition arises from no selfish motive, but is a deliberate opinion reached after seriously considering the universal expressions and complaints from business men and shippers in this section against the continuance of Government control. We believe that the business interests of the Nation would be best subserved by the immediate return of railroads and all other utilities to private ownership. Will you please use this as your authority to present these views on behalf of this commission to the committee?"

With thanks for your courtesy in this matter, I am,

Yours, very truly,

SHELBY TAYLOR, *Chairman.*

PUBLIC SERVICE COMMISSION OF NEW HAMPSHIRE,
Concord, January 18, 1919.

HON. CHAS. E. ELMQUIST,
Washington, D. C.

DEAR SIR: We favor the return of wire systems to private owners as soon as this can be done without jeopardizing the interests of the corporations and the public. It seems to us that this may be done at a much earlier date than in the case of the railroads. We do not favor fixing a definite date for either.

Very truly, yours,

T. W. D. WORTHEN.

CORPORATION COMMISSION OF OKLAHOMA,
Oklahoma City, Okla., January 18, 1919.

HON. CHARLES ELMQUIST,
Washington, D. C.

DEAR SIR: Supplementing our telegram of this date, we make copies of a few letters received by us and inclose the same herewith. The attitude expressed in these letters is general. In this State we scarcely have the semblance of service, consequently the general public is thoroughly dissatisfied.

Yours, truly,

W. D. HUMPHREY, *Chairman.*

WDH/e

OKLAHOMA CITY, OKLA., *January 17, 1919.*

MR. W. D. HUMPHREY,
*Chairman Oklahoma Corporation Commission,
Oklahoma City, Okla.*

DEAR SIR: The members of our association engaged in the business of brokers of food products to the jobbing trade are among the largest users of the long-distance telephone in Oklahoma, and we are soliciting your aid to help us combat

432 GOVERNMENT CONTROL OF TELEGRAPH AND TELEPHONE.

the new schedule of charges authorized by the Postmaster General of the United States, effective January 21, in so far as they apply to intrastate messages, which is the bulk of our business with the Southwestern Bell Telephone Co.

We realize during the war the necessity of advances in telephone rates which were granted, we believe, sometime ago, but the present schedule as outlined is not only exorbitant but in our opinion unwarranted at this time; furthermore, the method of assessing the rates and other service charges are so complicated as to interfere seriously with the business of any concern, we believe, who rely upon the long-distance telephone to secure their results.

We understand that protests have been filed in large volume with the Senators and Representatives in Washington, and we noticed from news items in the papers the last couple of days where the utilities commission of the States of Ohio and Florida have refused to grant the changes in telephone schedules, in so far as they apply to intrastate messages, and our association wishes to appeal to your body for relief on these rates within the State of Oklahoma.

We will certainly appreciate your favorable action and will thank you very much for your careful attention to our request.

Yours, very truly,

OKLAHOMA CITY WHOLESALE MERCHANDISE
BROKERS' ASSOCIATION,
Per O. R. ARMSTRONG, *President*.

OKLAHOMA CITY, U. S. A.,
January 17, 1919.

HON. CORPORATION COMMISSION,
Oklahoma City, Okla.

GENTLEMEN: We are receiving complaints on the new long-distance telephone toll rates which the Postmaster General has announced to take effect January 21. It is stated, and the schedule as announced appears to bear these statements out, the new schedule will advance long-distance telephone rates from 20 to 60 per cent. Complaints are also made that the new schedule is unscientific, difficult to comprehend the meaning, and imposes undue hardships upon the public.

While we notice that several of the States have rejected these rates, and in the public print this morning it is announced that the State of Florida will seek to have the new schedule enjoined in the courts, some of our members are asking us what position the corporation commission is going to take, but we referred all such inquiries to your body direct. It appears to us from the complaints so far submitted by our members that this is a question of some importance, and if there is any action the corporation commission can take to relieve the situation or prevent the rates from going into effect until an impartial investigation is made, the interest of the general public of this State will be, in our opinion, best served by taking such action.

Respectfully submitted,

OKLAHOMA CITY CHAMBER OF COMMERCE,
F. P. DIXON, *Acting Secretary*.

[Telegram.]

MUSKOGEE, OKLA., *January 18, 1919.*

CHAIRMAN CORPORATION COMMISSION,
Oklahoma City, Okla.:

Pursuant to instructions of mass meeting of citizens of Muskogee Friday evening, you are urged to take appropriate measures to prevent in Oklahoma telephone rates effective January 21 announced by Postmaster General. Ohio, Illinois, Michigan, Wisconsin, and Florida have already so acted.

S. E. GIDNEY,
M. G. HASKE,
W. D. HUME,
Committee.

OKLAHOMA CITY, OKLA., *January 17, 1919.*

HON. CORPORATION COMMISSION OF OKLAHOMA,
State Capitol, Oklahoma City, Okla.

HONORABLE SIRS: Doubtless you are familiar with the new phone rates that have been promulgated by the Southwestern Bell Telephone Co. under the tutelage of our worthy Postmaster General Burleson.

Unfortunately we are forced to patronize the Southwestern Bell Telephone Co. to a considerable extent, and we dislike very much this idea of being American citizens and then be forced to come under the rod of a corporation of such magnitude as the Southwestern Bell Telephone Co. We are already paying fabulous prices for such service as we are getting. We have no assurance when a call can be completed; we are at their mercy. If they do not complete a call to-day, perhaps they will complete it to-morrow or the next day, asking for a renewal from day to day, and this new idea of having the subscriber or customer pay for a report charge service is certainly far fetched in the extreme.

Realizing the fact that they are unable to give us satisfactory service during the day, they have been considerate enough to offer us a reduction in rates from 8.30 p. m. until midnight, during which hours the average business man transacts no business.

While we appreciate they are making strenuous efforts to enforce this rule as a Government measure, we hope and pray that you will use your good efforts to again put Oklahoma on the map and protect, at least, the intrastate rates, so in the event we are punished it can effect us only on interstate rates.

Thanking you in advance for your kind consideration, and hoping you will take immediate action, we remain,

Very truly, yours,

CHOCTAW GRAIN Co.,
By STRAUGHN.

CORPORATION COMMISSION OF OKLAHOMA.

In the matter of the application of the Southwestern Bell Telephone Co. for permission to increase rates for its exchange at Afton and other small exchanges. Cause No. 3627.

In the matter of the application of the Southwestern Bell Telephone Co. for an informal investigation of the exchange rates in the city of Ardmore and other large places.

JOURNAL ENTRY.

The Southwestern Bell Telephone Co., doing a comprehensive telephone business in the State of Oklahoma, operating exchanges in cities and towns throughout the State of Oklahoma, and likewise operating long-distance lines which extend to every part of the State of Oklahoma, filed herein its application for permission to increase rates at Afton and certain other of the smaller cities and towns of the State, and later on filed its application herein for an informal investigation of the exchange rates in the city of Ardmore and several other of the larger cities and towns of the State.

The commission observes that by virtue of congressional action the Postmaster General of the United States has assumed control of the telephone systems of the country, including those operating in Oklahoma, and has promulgated certain regulations and established charges in some instances for service in the State of Oklahoma.

The commission is of the opinion that the officers and managers of the Southwestern Bell Telephone Co., heretofore carrying on its business within this state prior to and since the business of the company was taken over by the Government, have been able, competent, and faithful, but shortage of help and inexperience of a large per cent of the help actually available has materially reduced the standard of service, causing much dissatisfaction among the patrons of the company. This has been greatly aggravated by charges arbitrarily fixed by the Postmaster General which were entirely out of proportion to the service rendered.

A new schedule of rates and a new line of experiments have been promulgated by the Postmaster General to take effect January 21. The result of these new rates and new rules can not yet be determined. Some of the service now

being rendered in this State is not worth the charge being collected therefor. In instances the rates in effect are doubtless not sufficient to pay the cost of efficient service and provide a reasonable return upon the investment. So long as the Government exercises control of these properties it is presumed that the interest of the owners will be properly safeguarded and suitable returns upon their investment provided.

The validity of the Federal law involved and the scope of authority to be exercised thereunder is as yet undetermined, but this commission has refrained from any action which might be construed as tending to embarrass the Government in its war measures.

Until such time as the courts or the Congress shall definitely fix the authority and responsibility for control of telephone operation we assume that the Postmaster General will provide such rates as in his judgment will properly take care of their operation as a whole. So long as "better service and lower rates" is the slogan around which centers the propaganda served to the public it would be very embarrassing to the commission, and we believe unjust to the public, to issue orders providing increased rates for poorer service.

The commission finds that local and long-distance telephone service in this State is generally unsatisfactory and that charges should not be raised until the service is improved, and for said reason the applications involved herein are hereby dismissed.

Done in the regular order of business at Oklahoma City, Okla., on this the 4th day of January, 1919.

CORPORATION COMMISSION,
W. D. HUMPHREY, *Chairman*.
CAMPBELL RUSSELL,
ART. L. WALKER,
Commissioners.

[SEAL.]

Attest:
J. S. GRAM,
Acting Secretary.

POSTAL TELEGRAPH-CABLE Co.,
New York, January 25, 1919.

HON. JOHN A. MOON,
*Chairman Committee on the Post Office and Post Roads,
House of Representatives, Washington, D. C.*

DEAR SIR: Will you kindly insert in the minutes of the next meeting of your committee to consider the question of telegraphs and telephones the inclosed copies of letters from me to Postmaster General Burleson, dated October 28, November 4, November 11, and November 18, 1918.

I am,

Yours, very truly,

CLARENCE H. MACKAY, *Secretary*.

POSTAL TELEGRAPH-CABLE Co.,
New York, October 28, 1918.

HON. ALBERT S. BURLESON,
Postmaster General, Washington, D. C.

DEAR SIR: I write this letter in compliance with the very proper request of your counsel, Mr. Lamar, that we state in the form of a letter the reason why it happens that the compensation we ask from the Government for the use of our Postal Telegraph System during the war differs from the reports of our 39 local Postal Telegraph companies to the Interstate Commerce Commission. The explanation is simple. It is that our Postal Telegraph System for a great many years has been organized on the plan of the Mackay Cos. financing the little local companies by furnishing the money for all reconstruction of their telegraph lines, and for the annual interest of \$800,000 a year, which has to be paid by the land line system, and also furnishing money for the construction of new lines in new territory and additional wires in old territory. In return the Mackay Cos. by contract with these various local companies receive a large proportion of the through tolls. This arrangement is a matter of convenience and has grown up from the necessity of having these local companies, in order to comply with State statutes relative to condemnation and granting of local

ordinances, etc.—a necessity which arose in the very beginning of the Postal System in the early eighties.

The whole of this compensation now claimed would have appeared in the reports to the Interstate Commerce Commission, which reports began about two years ago, if the Mackay Cos. were subject to the Interstate Commerce act, but not having been subject to that act (they being only an unincorporated trusteeship) the Mackay Cos. were not asked by the commission to make a report, and properly so, and hence did not make any. The general plan of the organization is the same as that of the American Telephone & Telegraph Co., which, I understand, has several hundred subsidiary companies, and the American Telephone & Telegraph Co. takes practically all of the through tolls, and, of course, reports them in its regular report to the Interstate Commerce Commission, that company being a telephone corporation subject to that act, and hence reports under that act. If the Mackay Cos. had been subject to that act they would have promptly made a report, and then all these figures would be on file with the Interstate Commerce Commission. In other words, the entire earnings of the Postal Telegraph System are divided between 39 companies, which report to the Interstate Commerce Commission, and the Mackay Cos. and the Boston District Messenger Co., which do not report to the Interstate Commerce Commission, they not being subject thereto.

I trust this will answer Mr. Lamar's inquiry, and if not kindly let me know and I will give any further information desired.

Yours, very truly,

CLARENCE H. MACKAY,
President.

POSTAL TELEGRAPH-CABLE CO.,
New York, November 4, 1918.

HON. ALBERT S. BURLESON,
Postmaster General, Washington, D. C.

MY DEAR MR. BURLESON: We gather from the discussions we have had with the committee appointed by you to report as to the proper compensation to be allowed the telegraph and telephone companies for the use of their property by the Government, that that committee takes the position in regard to the Postal telegraph lines that compensation should be a percentage of the physical value of the telegraph lines themselves. We can not assent to this. It is not the basis of the compensation to the Bell Telephone Co. or to the Western Union. The compensation to them is based on their earnings for the past year, and, in fact, the Western Union compensation is in excess of the earnings for the past year. Apparently your committee has estimated the Postal properties at \$30,000,000, and think that we should receive only 6 per cent of that amount, which would be \$150,000 a month. How in the world they arrived at so low a valuation I do not know. Now, even in August, a poor month in the telegraph business, but the first month in which the Government had control of our lines, we earned about \$320,000 for the Government. Hence on your committee's basis the Government would pay us \$150,000 and keep \$170,000. This, of course, is absurd.

There has been an intimation that the Postal Co. is making too much money, but the conclusive answer to that is that telegraph rates in the United States are lower than anywhere else in the world, and more conclusive still is the fact that there is strenuous competition between the two telegraph companies, and that under that competition the Western Union has at times earned less than 2 per cent on its capital stock, and at other times has been unable to set aside any reasonable reserve. Moreover, the Postal Co. paid no dividend whatsoever for many years, and, in fact, lost a great deal of money for many years. The compensation you have given the Western Union is based on the present telegraph rates and those rates are the same as the Postal Co. gets.

And even if the physical value of the Postal telegraph lines entered into the proposition at all, that value can not be ascertained without prolonged effort, and even then would be of little use. That value, whatever it may be, varies from day to day. Copper wire that cost us as low as 11 cents a pound a few years ago is now worth 28½ cents a pound, if we were at liberty to dismantle and sell it. The copper wire for which we have recently paid prices ranging up to 38½ cents a pound will be worth only 15 cents a pound after the war.

Poles that cost us \$1.25 each before the war are now worth from \$3 to \$4 each if we could dismantle and sell them, while poles that now cost us from \$3 to \$4 will be worth only about \$1 after the war. The same is true of

cross arms, pins, insulators, office furniture, electric apparatus, etc. The entire equipment of the telegraph company is made up of personal property which fluctuates rapidly in value. The physical value to-day will not be the physical value next month. It rises and falls with the fluctuating market for this class of equipment. The Massachusetts Public Service Commission, in answer to the recent suggestion that a physical valuation be made of the elevated railroad properties in Boston in connection with the financing of that company, put the matter very succinctly when it said:

"An appraisal would be a long and expensive task. At best, the results would be dependent in no small degree upon the personal judgment of the engineers employed, for the notion that appraising is an exact science will be entertained only by those who lack experience. Any estimate of present cost of production would be void of public advantage, owing to the recent course of prices."

Moreover, as stated above, the physical value has nothing to do with this question of compensation, either from a legal or business standpoint. The compensation we are entitled to is based upon the usable value and earning power of our telegraph line. When the United States Government took over the Monongahela Canal the Government claimed that it need not pay for the earning power of that canal, but the Supreme Court of the United States decided otherwise and said (148 U. S., 337):

"After taking this property the Government will have the right to exact the same tolls the Navigation Co. has been receiving. It would seem strange that if by asserting its right to take the property the Government could strip it largely of its value, destroying all that value which comes from the receipt of tolls, and having taken the property at this reduced valuation, immediately possess and enjoy all the profits from the collection of the same tolls."

A few months ago the Supreme Court again affirmed that principle of law when it said (248 U. S., 192):

"That there is an element of value in an assembled and established plant, doing business and earning money, over one not thus advanced, is self-evident. This element of value is a property right, and should be considered in determining the value of the property, upon which the owner has a right to make a fair return when the same is privately owned although dedicated to public use."

We have given you detailed figures showing what this property earned last year, and if we had been allowed to remain in control of the same property there would have been undoubtedly the same profit this year, and that is the basis of the compensation to be paid to us.

The compensation to be paid for the use of perishable personal property is not based on physical value, but rather on its earning value as a going utility; as we could show by many examples. When the Government seizes a building for use during the war it pays the owner the same rentals he has been receiving irrespective of the cost of physical valuation of his building. Congress in fixing the compensation for railroads paid no attention to their physical value, even though a very large part of that value consists of permanent terminals and rights of way. Congress based their compensation entirely on earning power, and we can see no reason why the same rule should not be applied to us. If by careful management we have made a substantial profit on our land-line system, in spite of the fierce competition, we are entitled to that profit. As stated above, this applies particularly to perishable properties, such as telegraph lines. A single heavy snowstorm may carry down thousands of miles, including lines not over a year old, and that has happened. Telegraph lines are very perishable, and any claim that their usable value is merely, say, 6 per cent of the physical value is unsupported by the history of telegraph lines or any other class of perishable property.

But above all stands the fact, as stated previously, that the compensation to the Western Union Telegraph Co. is based on their 1917 earnings, and to ask my company to take less would, to put it mildly, be an injustice, and I am quite sure that you intend that the same fair treatment shall be accorded to all.

Yours, respectfully,

CLARENCE H. MACKAY, *President.*

POSTAL TELEGRAPH-CABLE CO.,
New York, November 11, 1918.

Hon. ALBERT S. BURLESON,
Postmaster General, Washington, D. C.

MY DEAR MR. BURLESON: In view of the fact that an armistice with Germany has now been signed and a treaty of peace will probably be agreed upon

quickly, I take the liberty of suggesting that the telegraph lines be returned to the two telegraph companies at once, as authorized by the President's proclamation, which states that you shall be at liberty to relinquish "in whole or in part to the owners thereof * * * any telegraph * * * system or any part thereof."

Such action on your part would save the Government a great deal of money, because, as I am informed, the compensation which has been agreed upon between you and the Western Union Telegraph Co. is much more than that telegraph company is now earning from month to month. That compensation is even more than that company's earnings for 1917, which was the most profitable year in its history. The earnings of that company for the first seven months of this year, as reported to the Interstate Commerce Commission, were \$1,357,225 less than they were for the same period of last year (including cable operations, but any decrease in such cable earnings was undoubtedly more than offset by the alleged decrease of \$578,000 in taxes), which would indicate that the year ending July 31, 1919, will show a loss to the Government, in connection with that company, of at least \$2,326,668, and in all probability considerably in excess of that figure.

I do not know what the corresponding figures of the Bell Telephone Co. are. But there is no reason for the Government continuing to bear these losses, inasmuch as it can stop them immediately by returning the lines to the telegraph companies. That such a step would meet with general approval is indicated by the speech of Senator Martin of recent date, in which he urges immediate retrenchment in all branches of the Government.

There is no such deficiency in your operation of the Postal Telegraph lines, inasmuch as no compensation has yet been agreed upon as to that company.

Again, the sooner competition in the telegraph business is restored the greater, I believe, will be the satisfaction of the public. As you are aware, the joint resolution of Congress of July 16, 1918, authorizing the taking of control of the telegraphs and telephones was purely a war measure "for national security and defense," and this is emphasized by the fact that Congress provided that Federal control "shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace," as against the railroad Federal control bill, which continued the period of Federal control for a period of 21 months after the war.

If Congress had intended the telegraph and telephone Federal control act to be other than a purely war measure Congress would have made its continuance last for the same period as the railroad control. The fact that the telegraph-telephone control was purely a war measure was also most emphatically emphasized in the debates in both Houses of Congress when the resolution was passed.

Certainly the war no longer justifies the Government's retaining these telegraph lines for war purposes. In fact, since August 1, 1918, when the Government first took control of the telegraph lines for war purposes, there has not been a single act in such operation, so far as I can ascertain, that has been different from what such operation would have been if the telegraph companies had been allowed to continue their own control and the Government had not taken over the lines for war purposes. This merely emphasizes the propriety and wisdom of the lines being turned back at once.

The compensation to the Postal Telegraph-Cable system is now in course of discussion with your committee, but if you think well of the suggestion to return the lines to both telegraph companies, the Postal Telegraph-Cable Co. is willing to waive any claim for compensation, and accept what the lines have actually earned since the beginning of Federal control. All this would save the Government from the loss which it is now sustaining from month to month.

On the other hand, if the Government is to continue to keep control of our lines we certainly are entitled to the same profits that we made during the year prior to July, 1918, which you will notice includes the first six months of 1918, in which six months, as stated above, the Western Union earnings showed a considerable decline, but which was apparently not considered in arriving at their compensation. You will observe, therefore, that the basis on which we are willing to accept compensation is more favorable to the Government than you have granted to the Western Union. Apparently war compensation is based upon war profits, and we are entitled to the same treatment as the Western Union in this respect.

I am, yours, respectfully,

CLARENCE H. MACKAY, *President.*

POSTAL TELEGRAPH-CABLE CO.,
New York, November 18, 1918.

Hon. A. S. BURLESON,
Postmaster General, Washington, D. C.

MY DEAR MR. BURLESON: I write to protest against your committee's decision that the Postal Telegraph system shall receive as compensation from the Government for the use of its lines only about one-half of what those lines are actually earning. The Government is not operating the lines, and in fact, has nothing to do with them, except technical possession, and yet your committee refuses to allow us even to keep our own. This is a misuse and abuse of power. It is not compensation. It is robbery. Is it possible that the Government is trying to make money out of the war by seizing a telegraph property and confiscating half of its earnings without even doing anything to operate the lines?

And there is a still worse feature about it. The Western Union and Bell Telephone Cos. are to be allowed to keep all they earn, and more, too. They get the full spoon with something extra, while we are to get only half of what we actually earn. What right has the Government to keep the other half? This is a rank discrimination and I can not believe it has your approval.

Of course we have recourse to the Court of Claims and to Congress, but you are aware of the Secor claim, growing out of the Civil War, which claim was not paid until 30 years thereafter. I hope that we shall not have the same experience. In my letter to you of November 11 I said that we would ask no compensation of the Government, and would be content to keep merely what we earn, provided the telegraph lines of both companies were turned back at once as they should be. I can not understand on what theory one-half of our earnings are to be wrested from us and kept by the Government, which has done absolutely nothing to produce them. Can not a man keep his own? For instance, in August we made \$320,000, and your committee proposes to keep half of it and give us half of it, while allowing the Western Union to keep all of its August earnings, and pay it something additional. This is not a square deal. The action of your committee is not American, and I don't believe that either you or the American people will approve it.

Yours, very truly,

CLARENCE H. MACKAY, *President.*

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